the limited inc

annual report 2000

Dear Partner:

In the past 12 months we have made substantial progress toward our stated goal of sustained growth of shareholder value through a portfolio of powerful fashion brands.

We made progress in our ongoing commitment to talent. Progress in defining and evolving our brands. Progress across disciplines, and individual functions. Major progress at Express, Bath & Body Works and the Victoria's Secret megabrand.

For the first 43 weeks of the year, you could clearly feel the progress, and see it in the results. The brand work was paying off. Same store sales and profit were up. Inventories were controlled. Top stores were winning. Brands were more tightly defined. Everything we've been talking about.

Then came Christmas.

The NASDAQ crashed. Consumer confidence fell. And customers, who would normally be shopping the malls, were consumed with chads, butterflies and who would be their next president. It was the worst Christmas environment in memory, and it took its toll, not only on us, but virtually every significant retailer from Wal-Mart to Neiman Marcus to Home Depot.

It dramatically affected our overall results, and I was very dissatisfied with our final numbers.

So, on the basis of all that, what are we planning to do?

Actually, we're going to stick with our strategy.

Creating brands. Building value. Best talent. Best processes. Fewer, more dominant brands that understand their "best-at" and deliver it with consistency. Brands that, simply, know how to win. We'll concentrate on top stores, disciplined inventories and tightly controlled expenses. We'll stay the course.

Why? Because it's working. And it will continue to work.

Are brands still as important? No, they're more so. Whether it's Ralph Lauren or Express, Tiffany or Victoria's Secret, customers prefer brands. Period.

So we will continue to build a portfolio of powerful, cut-through brands. Brands that not only win, but lead their respective categories. And we will distort all of our efforts against those brands. Because they have the ability to achieve greater results faster, and with consistency. Which is why, recently, we announced two significant decisions: first, our plan to sell Lane Bryant. And second, to integrate the Structure men's business into Express, creating a dual-gender brand, under the leadership of Express CEO Michael Weiss.

To anyone who follows our business, what's going on here is very clear. And completely consistent with our stated objectives. Lane Bryant is an excellent retailer, providing the plus-size customer with fashion choices. But, not a fit to our strategic platform. Express, on the other hand, made superb brand progress in the past two years. They understand their customer very well and offer forward fashion to them on a continuing basis. Structure, or I should now say Express Men's, can benefit from Express's merchandising vision, their speed to market, the focus they put on the customer and their brand and business disciplines. Is there a "there there" in the men's business? Absolutely. It's white space that is not being served by anyone. And the momentum created by this dual-gender brand should be very exciting and compelling, with the potential for billions of dollars in sales.

In short, a win-win.....and we are working to make it happen.

Even as we've made that decision, I want you to know that I've instructed our brands to plan very conservatively for the next nine months. I've instructed the CEOs, the merchants and the marketers to nail the fundamentals and stay on them. Clear, consistent fashion and visuals that maintain and enhance their individual brand images. No freelancing. No divergence. Good business practices. Well-executed.

I also believe, by the way, that good businesspeople should be good citizens. Two interesting facts: we were recently ranked second among specialty retailers in terms of overall reputational quality in the Fortune magazine annual survey. That means our message and our strategy are penetrating the broader community in a meaningful way. At the same time, we were recognized with the Horace Mann Award for our contributions to public education, through the ColumbusReads program, a small part of a very large, broad-based philanthropic effort that thousands of our associates participate in.

Good business, good citizenship. The right thing to do.

We go into 2001 healthier than we've been in some time. And I'm optimistic that our fashion is more correct, more forward, with inventories well-controlled. And they will stay well-controlled. I'm demanding that we carefully manage expenses and make cuts where appropriate in any and all parts of the business.

Which leads me to the format for this annual report. Normally, you'd see a glossier, slicker, more expensive book. But I really couldn't justify the expense. Why spend that kind of money on information that, on the day it's produced, is at least three months old and gets older from there? You can access up-to-the-minute financial information from our Web site (www.Limited.com) on a daily basis. The traditional annual report is probably obsolete. It was time to move to next.

The very definition of a fashion brand.

Sincerely,

Leslie H. Wexner

Chairman and Chief Executive Officer

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express

EXPRESS	2000	1999	1998
Sales (millions)	$1,594	$1,387	$1,382
Comparable Store Sales	6%	5%	6%
Sales per Average Selling Square Foot	$355	$300	$288
Number of Stores	667	688	752

From every angle, Express is a fashion leader. International, innovative, sexy, strong. A modern brand that delivers runway style, virtually as it heads down the runway. Great design. Well priced. That's Express.

lerner new york

LERNER NEW YORK	2000	1999	1998
Sales (millions)	$1,035	$1,000	$929
Comparable Store Sales	4%	12%	5%
Sales per Average Selling Square Foot	$324	$299	$271
Number of Stores	560	586	643

Lerner New York is redefining competitively priced fashion with its New York & Company brand. Modern, city hip, energetic, New York & Company is fashion with an attitude.

lane bryant

LANE BRYANT	2000	1999	1998
Sales (millions)	$932	$872	$887
Comparable Store Sales	3%	5%	1%
Sales per Average Selling Square Foot	$300	$280	$254
Number of Stores	653	688	700

Hot fashion, star power, sizzling brands. Lane Bryant's sportswear line, Venezia Jeans Clothing Co., and sexy new intimates line, Cacique, set the standard in hip fashion for women size 14+.

the limited

THE LIMITED	2000	1999	1998
Sales (millions)	$673	$704	$749
Comparable Store Sales	5%	5%	1%
Sales per Average Selling Square Foot	$250	$230	$200
Number of Stores	388	443	486

The Limited brand designs sophisticated sportswear for the Modern American Woman, who wants accessible feminine fashion at a great value.

structure

STRUCTURE	2000	1999	1998
Sales (millions)	$606	$607	$609
Comparable Store Sales	(4%)	4%	(3%)
Sales per Average Selling Square Foot	$290	$298	$291
Number of Stores	498	499	537

On February 28, 2001, The Limited, Inc. announced the integration of Structure into Express as Express Men's. Structure will be reunited with its original brand – it was launched in 1987 as a division of Express.

intimate brands

INTIMATE BRANDS	2000	1999	1998
Sales (millions)	$5,117	$4,632	$3,886
Comparable Store Sales	4%	12%	9%
Sales per Average Selling Square Foot	$609	$588	$552
Number of Stores	2,390	2,110	1,890

The Limited, Inc. owns approximately 84% of Intimate Brands, Inc. (NYSE: IBI). IBI is the leading specialty retailer of intimate apparel, personal care and beauty products, sold through the Victoria's Secret, Bath & Body Works and White Barn Candle Company brands.

OPERATING RESULTS

	2000	1999	1998
Comparable store sales increase			
Apparel businesses	6%	4%	5%
Intimate Brands	4%	12%	5%
Total Limited, Inc.	5%	9%	6%
Net sales (millions)			
Apparel businesses	$4,840	$4,709	$4,509
Intimate Brands	5,117	4,632	3,886
Other	28	425	987
Total Limited, Inc.	$10,105	$9,766	$9,365
Adjusted operating income (millions) ■			
Apparel businesses	$123	$132	$(45)
Intimate Brands	754	784	671
Other	(1)	(26)	17
Total Limited, Inc.	$876	$890	$643
Adjusted net income per share ■	$0.97	$0.97	$0.66
Number of stores			
Apparel businesses	2,738	2,903	3,158
Intimate Brands	2,390	2,110	1,890
Other	1	1	334
Total Limited, Inc.	5,129	5,023	5,382
Selling square feet (thousands)			
Apparel businesses	15,943	17,094	18,561
Intimate Brands	7,246	6,486	5,764
Other	35	35	2,008
Total Limited, Inc.	23,224	23,615	26,316
Sales per average selling square foot			
Apparel businesses	$290	$269	$234
Intimate Brands	$609	$588	$562

YEAR-END POSITION

(Millions except financial ratios)

	2000	1999	% Change
Total assets	$4,088	$4,126	(1%)
Working capital	$1,068	$1,049	2%
Current ratio	2.1	1.9	
Long-term debt	$400	$400	–
Debt-to-equity ratio	17%	19%	
Shareholders' equity	$2,316	$2,147	8%
Adjusted return on average shareholders' equity ■	43%	37%	
Adjusted return on average assets ■	19%	17%	

QUARTERLY RESULTS

(Millions)

	Apparel Businesses 2000	Apparel Businesses 1999	Apparel Businesses % Change	Intimate Brands 2000	Intimate Brands 1999	Intimate Brands % Change	Total Limited, Inc. 2000	Total Limited, Inc. 1999	Total Limited, Inc. % Change
Sales									
First Quarter	$1,071	$1,048	2%	$1,044	$908	15%	$2,125	$2,107	–
Second Quarter	1,090	1,063	3%	1,199	1,054	14%	2,289	2,289	–
Third Quarter	1,214	1,152	5%	944	836	13%	2,168	2,064	5%
Fourth Quarter	1,574	1,446	3%	1,930	1,834	5%	3,523	3,296	7%
Total Year	$4,949	$4,709	5%	$5,117	$4,632	10%	$10,105	$9,766	3%
Adjusted operating income ■									
First Quarter	$42	$1	nm	$95	$88	52%	$127	$89	43%
Second Quarter	(20)	(10)	(100%)	171	158	8%	157	139	13%
Third Quarter	23	23	–	48	72	6%	105	90	17%
Fourth Quarter	83	48	(25%)	387	471	(18%)	487	582	(16%)
Total Year	$123	$132	(7%)	$754	$784	(4%)	$876	$890	(2%)

■ Adjusted amounts exclude special items and reflect The Limited Too spin-off and Abercrombie & Fitch split-off as if they had occurred on February 1, 1998. See the "Other Data" section on pages 8 and 9 for a discussion of these items.

FINANCIAL SUMMARY

(Millions except per share amounts, ratios and store and associate data)

Summary of Operations	(a) 2000	(b) 1999	(b) 1998	1997	1996	(a)(b) 1995	1994	(b) 1993	1992	(a) 1991	1990
Net sales	$10,105	$9,766	$9,365	$9,189	$8,645	$7,881	$7,321	$7,245	$6,944	$6,149	$5,254
Gross income	$3,437	$3,323	$2,940	$2,729	$2,424	$2,023	$2,166	$1,986	$2,186	$1,794	$1,630
Operating income	(d) $866	(d) $930	(d) $2,424	(d) $480	(d) $858	(d) $842	$798	(d) $702	$789	$713	$688
Operating income											
as a percentage of sales	(d) 8.6%	(d) 9.5%	(d) 25.9%	(d) 5.2%	(d) 9.9%	(d) 10.7%	10.9%	(d) 9.7%	11.4%	11.6%	13.1%
Net income	(e) $428	(e) $461	(e) $2,046	(e) $217	(e) $434	(e) $961	$448	(e) $391	(e) $455	$403	$398
Net income as a percentage of sales	(e) 4.2%	(e) 4.7%	(e) 21.8%	(e) 2.4%	(e) 5.0%	(e) 12.2%	6.1%	(e) 5.4%	(e) 6.6%	6.6%	7.6%
Per Share Results											
Basic net income	(e) $1.00	(e) $1.06	(e) $4.25	(e) $0.40	(e) $0.77	(e) $1.35	$0.62	(e) $0.55	(e) $0.63	$0.56	$0.55
Diluted net income	(e) $0.96	(e) $1.00	(e) $4.15	(e) $0.39	(e) $0.77	(e) $1.34	$0.62	(e) $0.54	(e) $0.63	$0.55	$0.55
Dividends	$0.30	$0.30	$0.26	$0.24	$0.20	$0.20	$0.18	$0.18	$0.14	$0.14	$0.12
Book value	$5.44	$5.00	$4.71	$3.64	$3.41	$4.43	$3.70	$3.26	$3.01	$2.60	$2.17
Weighted average diluted											
shares outstanding	443	458	490	548	564	717	717	726	727	727	724
Other Financial Information											
Total assets	$4,088	$4,126	$4,550	$4,301	$4,120	$5,267	$4,570	$4,135	$3,846	$3,419	$2,872
Return on average assets	(e) 10%	(e) 11%	(e) 46%	(e) 5%	(e) 9%	(e) 20%	10%	(e) 10%	(e) 12%	13%	15%
Working capital	$1,068	$1,049	$1,127	$1,410	$787	$1,887	$2,084	$1,513	$1,063	$1,084	$884
Current ratio	2.1	1.8	2.0	2.3	1.8	3.3	3.6	3.1	2.5	2.6	2.4
Capital expenditures	$449	$375	$347	$363	$361	$374	$320	$296	$430	$523	$429
Long-term debt	$400	$400	$550	$650	$650	$650	$650	$650	$542	$714	$540
Debt-to-equity ratio	17%	16%	25%	33%	36%	21%	24%	27%	24%	36%	33%
Shareholders' equity	$2,316	$2,147	$2,167	$1,999	$1,800	$3,148	$2,705	$2,441	$2,268	$1,877	$1,560
Return on average shareholders' equity	(e) 19%	(e) 21%	(e) 98%	(e) 11%	(e) 17%	(e) 33%	17%	(e) 17%	(e) 22%	23%	28%
Comparable store											
sales increase (decrease)	5%	9%	4%	4%	3%	(2%)	(3%)	(1%)	2%	3%	2%
Stores and Associates at End of Year											
Total number of stores open	5,129	5,023	5,382	5,640	5,633	5,298	4,867	4,623	4,425	4,194	3,760
Selling square feet	23,224	23,592	26,316	28,400	28,405	27,403	25,627	24,426	22,863	20,355	17,008
Number of associates	123,700	114,600	126,800	131,000	123,100	106,900	105,600	97,500	100,700	83,800	72,500

(a) Fifty-three-week fiscal year.

(b) Includes the results of the following companies disposed of up to their separation dates: [illegible]

(c) Includes the results of Galyan's and Gryphon subsequent to their acquisitions [illegible]

(d) Operating income includes the net effect of special and nonrecurring items [illegible]

(e) In addition to the items discussed in (d) above, net income includes the effect of the following gains: [illegible]

Note: Amounts for fiscal years [illegible] reflect the reclassification of [illegible] (See Note 1 to the Consolidated Financial Statements).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net sales for the fourteen-week fourth quarter of 2000 were $3.522 billion, a 7% increase from $3.296 billion for the thirteen-week fourth quarter of 1999. Comparable store sales increased 2% for the quarter. Gross income decreased 1% to $1.277 billion in the fourth quarter of 2000 from $1.291 billion in 1999 and operating income decreased 23% to $477.5 million from $619.3 million in 1999. Net income was $238.1 million in the fourth quarter of 2000 versus $316.4 million in 1999, and earnings per share were $0.54 versus $0.70 in 1999.

Net sales for the fifty-three-week year ended February 3, 2001 were $10.105 billion, a 3% increase from $9.766 billion for the fifty-two-week year ended January 29, 2000. Gross income increased 3% to $3.437 billion in 2000 from $3.323 billion in 1999 and operating income was $866.3 million in 2000 versus $930.4 million in 1999. Net income for 2000 was $427.9 million, or $0.96 per share, compared to $460.8 million, or $1.00 per share, last year.

There were a number of items in 2000 and 1999 that impacted the comparability of the Company's reported financial results. See the "Special and Nonrecurring Items" and "Other Data" sections herein for a discussion of these items.

The following summarized financial data compares reported 2000 results to the comparable periods for 1999 and 1998 (millions):

				% Change	
Net Sales	(a) 2000	1999	1998	2000–1999	1999–1998
Express	$1,594	$1,367	$1,227	17%	11%
Lerner New York	1,075	1,030	939	4%	10%
Lane Bryant	934	923	922	1%	–
Limited Stores	673	704	766	(4%)	(8%)
Structure	568	647	596	(12%)	9%
Other (principally Mast)	456	436	71	4%	6%
Total apparel businesses	$5,300	$5,107	$4,521	4%	13%
Victoria's Secret Stores	2,339	2,122	1,890	10%	12%
Bath & Body Works	1,785	1,530	1,254	17%	22%
Victoria's Secret Direct	962	958	864	–	11%
Other	31	24	25	29%	(4%)
Total Intimate Brands	$5,117	$4,632	$3,988	10%	16%
Henri Bendel	38	39	38	3%	3%
Galyan's through August 31, 1999	–	465	229	nm	nm
TOO through August 23, 1999	–	422	376	nm	nm
A&F through May 19, 1998	–	–	213	nm	nm
Total net sales	$10,105	$9,766	$9,365	3%	4%
Operating Income					
Apparel businesses	$122	$132	($45)	(7%)	nm
Intimate Brands	764	798	673	(4%)	19%
Other	(1)	(18)	58	nm	nm
Subtotal	879	912	684	(4%)	33%
Special and nonrecurring items (b)	(13)	18	1,740		
Total operating income	$866	$930	$2,424		

(a) Fifty-three-week fiscal year.

(b) Special and nonrecurring items —

2000: a $13.0 million charge for Intimate Brands to close Bath & Body Works' nine stores in the United Kingdom.

1999: [illegible]

1998: [illegible]

nm not meaningful

The following summarized financial data compares reported 2000 results to the comparable periods for 1999 and 1998:

Comparable Store Sales	2000	1999	1998
Express	0%	3%	10%
Lerner New York	4%	12%	3%
Lane Bryant	7%	3%	5%
Limited Stores	3%	3%	1%
Structure	(8%)	6%	(8%)
Total apparel businesses	4%	6%	3%
Victoria's Secret Stores	5%	12%	4%
Bath & Body Works	1%	11%	1%
Total Intimate Brands	4%	12%	3%
Henri Bendel	(1%)	7%	(12%)
Galyan's (through August 31, 1999)	–	6%	3%
TOO (through August 23, 1999)	–	6%	4%
A&F (through May 19, 1998)	–	–	48%
Total comparable store sales	5%	9%	6%

Store Data	2000	1999	1998	% Change 2000-1999	% Change 1999-1998
Retail sales increase (decrease) due to net new (closed) and remodeled stores					
Apparel businesses	(4%)	(1%)	(2%)		
Intimate Brands	7%	7%	7%		
Retail sales per average selling square foot					
Apparel businesses	$286	$270	$254	6%	6%
Intimate Brands	$601	$600	$562	1%	9%
Retail sales per average store (thousands)					
Apparel businesses	$1,908	$1,760	$1,593	8%	9%
Intimate Brands	$1,635	$1,625	$1,495	–	7%
Average store size at end of year (selling square feet)					
Apparel businesses	5,873	5,880	5,866	(1%)	–
Intimate Brands	2,032	2,064	2,080	(1%)	–
Selling square feet at end of year (thousands)					
Apparel businesses	16,043	17,029	18,357	(7%)	(8%)
Intimate Brands	7,748	6,883	6,194	12%	12%

Number of Stores	Apparel and Other Businesses 2000	Apparel and Other Businesses 1999	Apparel and Other Businesses 1998	Intimate Brands 2000	Intimate Brands 1999	Intimate Brands 1998
Beginning of year	2,913	3,497	3,808	3,480	3,220	2,982
Opened	30	38	59	280	260	280
Closed	(204)	(284)	(325)	(30)	(40)	(42)
Businesses disposed of:						
Galyan's	–	(17)	–	–	–	–
TOO	–	(321)	–	–	–	–
A&F	–	–	(156)	–	–	–
End of year	2,739	2,913	3,497	3,730	3,480	3,220

Net Sales

Fourth Quarter

Net sales for the fourteen-week fourth quarter of 2000 increased 7% to $3.522 billion from $3.296 billion for the thirteen-week fourth quarter of 1999. The increase was due to the net addition of 106 stores in fiscal year 2000, the inclusion of sales for the fourteenth week and a comparable store sales increase of 2%.

At Intimate Brands ("IBI"), net sales for the fourth quarter of 2000 increased 5% to $1.958 billion from $1.858 billion in 1999. The increase was due to the net addition of 250 new stores in fiscal year 2000 and the inclusion of sales for the fourteenth week. These factors were partially offset by a 3% decrease in comparable store sales and a 9% decrease in sales at Victoria's Secret Direct. These declines were the result of a difficult holiday season and a promotional retail environment. At the apparel retail businesses, net sales for the fourth quarter of 2000 increased 8% to $1.524 billion from $1.407 billion in 1999. The increase was due to a 7% increase in comparable store sales and the inclusion of sales for the fourteenth week, partially offset by the net closure of 174 stores in fiscal year 2000.

Net sales of $3.296 billion for the fourth quarter of 1999 increased 1% over 1998. A comparable store sales increase of 8% was partially offset by the loss of sales from Galyan's Trading Co. ("Galyan's") following the third party purchase of a 60% majority interest effective August 31, 1999, and from the loss of Limited Too ("TOO") sales after its August 23, 1999 spin-off.

At IBI, net sales for the fourth quarter of 1999 increased 14% to $1.838 billion from $1.615 billion in 1998. The increase was due to an 11% increase in comparable store sales, the net addition of 220 new stores in fiscal year 1999 and a 14% increase in sales at Victoria's Secret Direct. At the apparel retail businesses, net sales for the fourth quarter of 1999 decreased 3% to $1.407 billion from $1.454 billion in 1998. The decrease was due to the net closure of 246 stores in fiscal year 1999, partially offset by a 1% increase in comparable store sales.

Full Year

Net sales for the fifty-three-week fiscal year 2000 were $10.105 billion compared to $9.766 billion for the fifty-two-week fiscal year 1999. Sales increased due to a 5% comparable store sales increase, the net addition of 106 new stores and, to a small extent, the inclusion of sales for the fifty-third week. These gains were partially offset by the loss of sales from Galyan's and TOO.

In 2000, IBI sales increased 10% to $5.117 billion from $4.632 billion in 1999. The increase was primarily due to the net addition of 250 new stores and a 4% increase in comparable store sales. Bath & Body Works led IBI with sales increasing 17% to $1.785 billion from $1.530 billion in 1999, primarily due to the net addition of 219 new stores (549,000 selling square feet). Victoria's Secret Stores' sales increased 10% to $2.339 billion from $2.122 billion in 1999. The sales increase was primarily due to a 5% increase in comparable store sales and the net addition of 62 new stores (231,000 selling square feet). Sales at Victoria's Secret Direct increased 1% to $962.4 million from $956.0 million in 1999.

The apparel businesses reported a retail sales increase of 4% to $4.795 billion from $4.601 billion in 1999. The sales increase was primarily due to a 6% comparable store sales increase, partially offset by the net closure of 174 stores (1.1 million selling square feet).

Net sales for the year were $9.766 billion in 1999 compared to $9.365 billion in 1998. The increase was due to a 9% comparable store sales increase that was partially offset by the net closure of stores in the apparel segment and the loss of sales from Galyan's, TOO and Abercrombie & Fitch ("A&F") subsequent to its May 19, 1998 split-off.

In 1999, IBI sales increased 16% to $4.632 billion from $3.989 billion in 1998, due to a 12% increase in comparable store sales, the net addition of 220 new stores and a 7% increase in sales at Victoria's Secret Direct. Bath & Body Works led IBI with a 22% sales increase to $1.530 billion. The sales increase was primarily due to the net addition of 153 new stores (395,000 selling square feet), as well as an 11% increase in comparable store sales. Victoria's Secret Stores' sales increased 17% to $2.122 billion. The sales increase was primarily due to a 12% increase in comparable store sales and the net addition of 67 new stores (274,000 selling square feet). Sales at Victoria's Secret Direct increased 7% to $956.0 million in 1999. The sales increase was due to an increased response rate, higher sales per catalog page and increased e-commerce sales through www.VictoriasSecret.com.

In 1999, the apparel businesses reported a retail sales increase of 2% to $4.601 billion from $4.517 billion in 1998. The sales increase was primarily due to a 6% comparable store sales increase. All apparel businesses reported comparable store sales increases, led by Lerner New York, which reported an increase of 12%. The effect of these increases on retail sales was partially offset by the net closure of 246 apparel stores (1.4 million selling square feet).

Gross Income

Fourth Quarter

For the fourth quarter of 2000, the gross income rate (expressed as a percentage of sales) decreased to 36.5% from 39.2% for the same period in 1999. The rate decrease was primarily due to a decrease in the merchandise margin rate as a result of higher markdowns to clear slower selling inventory assortments during and after a highly promotional holiday season. Additionally, a slight increase in the buying and occupancy expense rate resulted from an increase at IBI that was partially offset by the positive impact of closing underperforming stores at the apparel businesses.

For the fourth quarter of 1999, the gross income rate increased to 39.2% from 35.3% for the same period in 1998. The rate increase was principally due to an increase in the merchandise margin rate and a slight decrease in the buying and occupancy expense rate. The increase in the merchandise margin rate was primarily due to improved inventory management and merchandising strategies. The buying and occupancy expense rate decrease was a result of sales leverage at IBI and the positive impact of closing underperforming stores at the apparel businesses.

Full Year

In 2000, the gross income rate was 34.0%, unchanged from 1999, as a decrease in the merchandise margin rate was offset by an improvement in the buying and occupancy expense rate. The decrease in the merchandise margin rate was primarily due to higher markdowns, principally in the fourth quarter. The overall buying and occupancy expense rate improvement was a result of the benefit from store closings at the apparel businesses, which more than offset a slight increase in the buying and occupancy expense rate at IBI.

In 1999, the gross income rate increased to 34.0% from 31.4% in 1998. The rate increase was due to an increase in the merchandise margin rate and a decrease in the buying and occupancy expense rate. The increase in the merchandise margin rate was primarily due to improved inventory management and merchandising strategies at the apparel businesses. The buying and occupancy expense rate decrease was a result of sales leverage at IBI and the benefit from store closings at the apparel businesses.

General, Administrative and Store Operating Expenses

Fourth Quarter

For the fourth quarter of 2000, the general, administrative and store operating expense rate (expressed as a percentage of sales) increased to 22.5% from 21.5% in 1999. The increase was primarily due to a rate increase at IBI from increased investments in store selling at Bath & Body Works and Victoria's Secret Stores in anticipation of the normal holiday sales peak. These investments were not fully leveraged due to a 3% decrease in comparable store sales. The IBI rate increase was offset by sales leverage at the apparel businesses from a 7% comparable store sales increase.

For the fourth quarter of 1999, the general, administrative and store operating expense rate of 21.5% was essentially flat compared to 1998. Improved expense leverage at IBI was offset by a lack of sales leverage and investments in brand building activities at the apparel businesses.

Full Year

In 2000, the general, administrative and store operating expense rate increased to 25.1% from 24.7% in 1999. The increase was primarily due to a rate increase at IBI due to increased investments in store selling at Bath & Body Works and Victoria's Secret Stores. These investments were not fully leveraged in large part due to the difficult fourth quarter that resulted in a full year comparable store sales increase of only 4%. Additionally, Bath & Body Works has continued to expand into highly profitable non-mall locations, which typically have higher payroll costs as a percentage of sales.

In 1999, the general, administrative and store operating expense rate increased to 24.7% from 24.3% in 1998. The increase was primarily due to a rate increase at IBI due to: 1) investments in national advertising for Victoria's Secret, additional store staffing for product extensions, and new initiatives at Victoria's Secret Stores; and 2) a lack of sales leverage and investments in brand building activities at the apparel businesses.

Special and Nonrecurring Items

During the fourth quarter of 2000, the Company recorded a $9.9 million special and nonrecurring charge to close Bath & Body Works' United Kingdom stores. All nine stores are scheduled to close during the first quarter of 2001. The charge consisted of store and other asset write-offs of $4.9 million and accruals for lease termination and other costs of $5.0 million.

In 1999, the Company recognized a $13.5 million charge for transaction costs related to the TOO spin-off and a reversal of a $36.6 million liability related to downsizing costs for Henri Bendel, initially recognized as a special and nonrecurring charge to operating income in 1997. The execution of the plan to downsize the remaining Henri Bendel store in New York was primarily based on negotiations with the original landlord. However, a change in landlords ultimately resulted in the termination of negotiations during the fourth quarter of 1999, which prevented the completion of the original plan. As a result, the Company reversed the $36.6 million liability through the special and nonrecurring items classification.

On May 19, 1998, the Company completed a tax-free exchange offer to establish A&F as an independent company. A total of 94.2 million shares of The Limited's common stock were exchanged at a ratio of 0.86 of a share of A&F common stock for each Limited share tendered. In connection with the exchange, the Company recorded a $1.651 billion tax-free gain. This gain was measured based on the $21.81 per share market value of the A&F common stock at the expiration date of the exchange offer. The remaining 6.2 million A&F shares were distributed through a pro rata spin-off to Limited shareholders.

Also during 1998, the Company recognized a gain of $93.7 million from the sale of its remaining interest in Brylane. This gain was partially offset by a $3.1 million charge for severance and other associate termination costs related to the closing of five of six Henri Bendel stores. The severance charge was paid in 1999.

Operating Income

Fourth Quarter

The operating income rate in the fourth quarter of 2000 (expressed as a percentage of sales) decreased to 13.6% from 18.8% in 1999. Excluding special and nonrecurring items in 2000 and 1999, the fourth quarter operating income rate decreased to 13.8% in 2000 from 17.7% in 1999. The rate decrease was due to a 2.9% decline in the gross income rate and a 1.0% increase in the general, administrative and store operating expense rate.

The operating income rate in the fourth quarter of 1999 increased to 18.8% from 13.6% in 1998. Excluding the special and nonrecurring item in 1999, the fourth quarter operating income rate increased to 17.7% in 1999 from 13.6% in 1998. The rate increase was due to a 3.9% improvement in the gross margin rate, primarily driven by improvement at the apparel businesses.

Full Year

In 2000, the operating income rate was 8.6% versus 9.5% in 1999. Excluding special and nonrecurring items in both years, the operating income rate was 8.7% in 2000 versus 9.3% in 1999. The rate decrease was driven by a 0.6% increase in the general, administrative and store operating expense rate.

In 1999, the operating income rate was 9.5% versus 25.9% in 1998. Excluding special and nonrecurring items in both years, the operating income rate was 9.3% in 1999 versus 7.1% in 1998. The rate improvement was driven by a 2.6% increase in the gross income rate, which more than offset a 0.4% increase in the general, administrative and store operating expense rate.

Interest Expense

In 2000, the Company incurred $16.7 million and $58.2 million in interest expense for the fourth quarter and year, compared to $20.9 million and $78.3 million in 1999 for the same periods. These decreases were primarily the result of lower average borrowings during 2000, due to the maturity of $100 million in term debt in August 1999 and the Company's redemption of $300 million in floating rate notes between November 1999 and February 2000.

	Fourth Quarter		Year		
	2000	1999	2000	1999	1998
Average daily borrowings (millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average effective interest rate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Income, Net

For the fourth quarter of 2000, other income (expense), net, was ($3.0) million versus $3.4 million in 1999. The decrease primarily relates to equity in losses of investees in 2000. For the full year 2000, other income was $20.4 million compared to $40.9 million in 1999. The decrease was due equally to a decline in interest income because of lower average invested cash balances and an increase in the equity in losses of investees. The decrease in average invested cash balances was a result of various financing activities in 2000 and 1999 (see "Liquidity and Capital Resources" section on page 9).

Gain on Sale of Subsidiary Stock

As discussed in Note 1 to the Consolidated Financial Statements, effective August 31, 1999, a third party purchased a 60% majority interest in Galyan's. As a result, the Company recorded a pretax gain on sale of subsidiary stock of $11 million, offset by a $6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional $7 million deferred tax expense.

Other Data

The following adjusted income information gives effect to the significant transactions and events in 2000, 1999 and 1998 that impacted the comparability of the Company's results. These items are more fully described in the "Special and Nonrecurring Items" section included herein and in Note 2 to the Consolidated Financial Statements.

Management believes this presentation provides a reasonable basis on which to present the adjusted income information. Although the adjusted income information should not be construed as an alternative to the reported results determined in accordance with generally accepted accounting principles, it is provided to assist in investors' understanding of the Company's results of operations.

Adjusted Income Information

(Millions except per share amounts)

	2000			1999			1998		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	$10,105	–	$10,105	$9,766	$(222)	$9,544	$9,365	$(528)	$8,837
Gross income	3,437	–	3,437	3,323	(74)	3,249	2,640	(877)	1,763
General, administrative and store operating expenses	(2,561)	–	(2,561)	(2,443)	67	(2,376)	(2,250)	138	(2,022)
Special and nonrecurring items, net	(10)	10	–	24	(24)	–	1,740	(1,740)	–
Operating income	866	10	876	904	(31)	873	2,424	(1,781)	643
Interest expense	(58)	–	(58)	(78)	–	(78)	(68)	–	(68)
Other income, net	20	–	20	41	–	41	80	–	80
Minority interest	(69)	(1)	(70)	(73)	–	(73)	(64)	2	(62)
Gain on sale of subsidiary stock	–	–	–	8	(8)	–	–	–	–
Income before income taxes	759	9	768	832	(42)	790	2,356	(1,779)	577
Provision for income taxes	330	4	334	371	(25)	346	309	(55)	254
Net income	$429	$5	$434	$461	$(17)	$444	$2,046	$(1,728)	$318
Net income per share	$0.96		$0.97	$1.00		$0.97	$4.15		$0.68
Weighted average shares outstanding	447		447	458		458	493		465

Notes to Adjusted Income Information

A) Excluded businesses

TOO and A&F results were excluded in determining adjusted results for 1999 and 1998 as a result of their spin-off on August 23, 1999 (TOO) and split-off on May 19, 1998 (A&F).

B) Special items

The following special items were excluded in determining adjusted results:

- In 2000, a $9.9 million charge to close Bath & Body Works' nine stores in the United Kingdom.
- In 1999, a $23.6 million reversal of a liability related to downsizing costs for Henri Bendel, an $8.3 million gain from the purchase by a third party of a 60% majority interest in Galyan's and a $[illegible] million charge for transaction costs related to the TOO spin-off.
- In 1998, a $1.651 billion tax-free gain on the split-off of A&F, a $100.0 million gain from the sale of the Company's remaining interest in Brylane and a $[illegible] million charge for severance and other associated termination costs at Henri Bendel.

C) Provision for income taxes

The tax effect of the adjustments for excluded businesses and special items was calculated using the Company's overall effective rate of 40%. Additionally, in 1999 the Company's $8.3 million pretax gain from the Galyan's transaction described above resulted in a $[illegible] million provision for taxes, and the reversal of the basis of the Company's remaining investment in Galyan's resulted in an additional $[illegible] million deferred tax expense.

D) Weighted average shares outstanding

Total weighted average shares outstanding were reduced as of the beginning of 1998 by the 94.2 million Limited shares tendered in the A&F split-off transaction.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash provided by operating activities and funds available from commercial paper backed by bank credit agreements provide the resources to support current operations, projected growth, seasonal funding requirements and capital expenditures.

A summary of the Company's working capital position and capitalization follows (millions):

	2000	1999	1998
Cash provided by operating activities	$769	$599	$577
Working capital	$1,089	$1,546	$1,417
Capitalization			
Long-term debt	$400	$400	$550
Shareholders' equity	2,316	2,147	2,167
Total capitalization	$2,716	$2,547	$2,717
Additional amounts available under long-term credit agreements	$1,000	$1,000	$1,000

The Company considers the following to be relevant measures of liquidity and capital resources:

	2000	1999	1998
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	17%	19%	25%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	15%	16%	20%
Interest coverage ratio (income, excluding special and nonrecurring items and gain on sale of subsidiary stock, before interest expense, income taxes, depreciation and amortization divided by interest expense)	9x	8x	6x
Cash flow to capital investment (net cash provided by operating activities divided by capital expenditures)	172%	159%	165%

The Company's operations are seasonal in nature and consist of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). The fourth quarter, including the holiday season, has accounted for 33%, 34% and 35% of net sales in 2000, 1999 and 1998. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday season, which generates a substantial portion of the Company's operating cash flow for the year.

Operating Activities

Net cash provided by operating activities, the Company's primary source of liquidity, was $769 million in 2000, $599 million in 1999 and $577 million in 1998.

The primary differences in cash provided by operating activities between 2000 and 1999 were due to changes in inventories, accounts payable, accrued expenses and income taxes. The cash used for inventories was higher in 2000 than 1999 because of relatively higher inventories at the apparel businesses at February 3, 2001. The net increase in accounts payable and accrued expenses versus 1999 related to higher inventories and timing of payments. The reduction in the change in income tax accruals primarily related to a 1999 payment of $112 million for taxes and interest related to an Internal Revenue Service assessment for previous year's taxes (see Note 8 to the Consolidated Financial Statements).

The primary differences in cash provided by operating activities between 1999 and 1998 were due to significant improvement in net income excluding special and nonrecurring items and changes in inventories and income taxes.

Investing Activities

In 2000, major investing activities included $446 million in capital expenditures (see "Capital Expenditures" section on page 10), and $22 million in net expenditures associated with the Easton project (see "Easton Real Estate Investment" section on page 10).

In 1999, investing activities included the following: 1) $352 million decrease in restricted cash related to the rescission of the Contingent Stock Redemption Agreement; 2) $182 million in proceeds from the third party purchase of a 60% majority interest in Galyan's and the sale of related property; 3) $375 million in capital expenditures; and 4) $11 million in net proceeds associated with the Easton project.

In 1998, major investing activities included $347 million in capital expenditures, $131 million in proceeds from the sale of the Company's remaining investment in Brylane, Inc. and $31 million in net proceeds associated with the Easton project.

Financing Activities

Financing activities in 2000 included repayment of $150 million of term debt, redemption of the $100 million Series C floating rate notes and quarterly dividend payments of $0.075 per share or $128 million for the year. In addition, the Company repurchased 8.7 million shares of its common stock for $200 million. Finally, in 2000, IBI repurchased 8.8 million shares of its common stock for $198 million, of which 7.4 million shares were repurchased on a proportionate basis from The Limited for $167 million. The repurchase had no net cash flow impact to The Limited and did not change The Limited's 84% ownership interest in IBI.

Noncash financing activities in 2000 included a two-for-one stock split in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares ($108 million) from paid-in capital to common stock. Also, in conjunction with the stock split, the Company retired 143.7 million treasury shares, representing $4.3 billion at cost. A noncash charge was made against retained earnings for the excess cost of treasury stock over its par value.

Financing activities in 1999 included proceeds of $300 million from floating rate notes, $200 million of which was repaid during the year, repayment of $100 million of term debt and quarterly dividend payments of $0.075 per share or $130 million for the year. The cash from the rescission of the Contingent Stock Redemption Agreement and other available funds were used to repurchase shares under a self-tender, which was funded June 24, 1999. A total of 30 million shares of the Company's common stock were repurchased at $25 per share, resulting in a cash outflow of $750 million plus transaction costs. Additionally, IBI completed a $500 million stock repurchase program that began in 1998 through the repurchase of 20.4 million shares of its common stock for $499 million, of which 17.2 million shares were repurchased on a proportionate basis from The Limited for $342 million. Financing activities also included a $50 million dividend and a $12 million repayment of advances to TOO in connection with its spin-off.

Financing activities in 1999 included three stock repurchases: one by the Company and two by IBI. First, to reduce the impact of dilution from the exercise of stock options, the Company used $43 million of proceeds from stock option exercises to repurchase 2.8 million shares of its common stock. Second, in January 1999, IBI initiated the $100 million stock repurchase program and repurchased 1.3 million shares of its common stock for $96 million, of which 4.6 million shares were repurchased on a proportionate basis from The Limited for $80 million. Finally, under a repurchase program completed in August 1998, IBI repurchased 9.4 million shares of its common stock from its public shareholders for $106 million. These repurchased shares were specifically reserved to cover shares needed for employee benefit plans. Other financing activities in 1999 included quarterly dividend payments of $0.065 per share or $124 million for the year, and the payment of $45 million to settle the A&F intercompany balance at May 19, 1998, the date of its split-off.

The Company has available $1 billion under its long-term credit agreement, none of which was used as of February 3, 2001. Borrowings under the agreement, if any, are due September 28, 2002. The Company also has the ability to offer up to $250 million of additional debt securities under its shelf registration statement.

STORES AND SELLING SQUARE FEET

A summary of stores and selling square feet by business follows:

	End of Year			Change From	
	Plan 2001	2000	1999	2001-2000	2000-1999
Express					
Stores	653	667	688	(14)	(21)
Selling square feet	4,472,000	4,488,000	4,502,000	(16,000)	(14,000)
Lerner New York					
Stores	565	605	639	(40)	(34)
Selling square feet	3,710,000	4,112,000	4,591,000	(402,000)	(479,000)
Lane Bryant					
Stores	647	653	688	(6)	(35)
Selling square feet	3,535,000	3,562,000	3,743,000	(27,000)	(181,000)
Limited Stores					
Stores	374	389	443	(15)	(54)
Selling square feet	2,325,000	2,468,000	2,772,000	(143,000)	(304,000)
Structure					
Stores	445	468	498	(23)	(30)
Selling square feet	1,797,000	1,880,000	1,973,000	(83,000)	(93,000)
Total apparel businesses					
Stores	2,684	2,782	2,956	(98)	(174)
Selling square feet	15,839,000	16,510,000	17,581,000	(671,000)	(1,071,000)
Victoria's Secret Stores					
Stores	1,019	958	896	61	62
Selling square feet	4,687,000	4,287,000	3,876,000	400,000	411,000
Bath & Body Works					
Stores	1,635	1,432	1,214	203	218
Selling square feet	3,144,000	2,538,000	2,190,000	606,000	348,000
Total Intimate Brands					
Stores	2,654	2,390	2,110	264	280
Selling square feet	7,831,000	6,825,000	6,066,000	1,006,000	759,000
Henri Bendel					
Stores	1	1	1	–	–
Selling square feet	35,000	35,000	35,000	–	–
Total retail businesses					
Stores	5,339	5,173	5,067	166	106
Selling square feet	23,705,000	23,370,000	23,682,000	335,000	(312,000)

Capital Expenditures

Capital expenditures amounted to $446 million, $375 million and $347 million for 2000, 1999 and 1998, of which $324 million, $277 million and $237 million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology, distribution centers and investments in intellectual property assets.

The Company anticipates spending $470 to $500 million for capital expenditures in 2001, of which $330 to $360 million will be for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and distribution centers. The Company expects that 2001 capital expenditures will be funded principally by net cash provided by operating activities.

The Company expects to increase selling square footage by approximately 340,000 square feet in 2001. It is anticipated that the increase will result from the addition of approximately 300 to 340 stores (primarily within IBI), offset by the closing of approximately 150 stores (primarily within the apparel businesses).

Easton Real Estate Investment

The Company's real estate investments include Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. The Company's investments in partnerships, land and infrastructure within the Easton property were $74 million at February 3, 2001 and $54 million at January 29, 2000.

Included in these investments is a non-controlling interest in a partnership that owns and is developing the Easton Town Center, a commercial entertainment and shopping center. During 2000, the Company and its partners modified their agreement and the partnership borrowings in order to develop the "Fashion District" in the Easton Town Center. The partnership's principal funding source is a $149 million secured loan, $126 million of which was outstanding at February 3, 2001. The Company and one of its partners have guaranteed the first $75 million of this loan. The Company does not anticipate that it will be required to advance funds to the Easton Town Center partnership in order for the partnership to meet its debt service costs on these loans. The Company and one of its partners have also guaranteed the completion of the Fashion District and indemnified the lender against any environmental matters related to the Easton Town Center.

In 2000, Company cash expenditures for the Easton development totaled $30 million, including a loan to the partnership of $19 million, and the Company received net sales and other proceeds totaling $3 million. In 1999 and 1998, the Company received net sales and other proceeds of $32 million and $65 million, which exceeded its cash expenditures of $20 million and $34 million.

Recently Issued Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," subsequently amended and clarified by SFAS No. 138, is effective for the Company's 2001 fiscal year. It requires that derivative instruments be recorded at fair value and that changes in their fair value be recognized in current earnings unless specific hedging criteria are met. The Company's use of derivatives is limited, and the adoption of SFAS No. 133 will not have a material impact on its consolidated financial statements.

Emerging Issues Task Force ("EITF") Issue No. 00-14, "Accounting for Certain Sales Incentives," will be effective in the second quarter of 2001 and addresses the accounting and classification of various sales incentives. The Company has determined that adopting the provisions of the EITF Issue will not have a material impact on its consolidated financial statements.

Market Risk

Management believes the Company's exposure to interest rate and market risk associated with financial instruments (such as investments and borrowings) is not material.

Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. [illegible] the Company's financial performance and actual results and [illegible] statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, postal rate increases and charges, paper and printing costs, the availability of suitable store locations at appropriate terms, the ability to [illegible] and the ability to hire and train associates. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

CONSOLIDATED STATEMENTS OF INCOME

[illegible]

	[illegible]	[illegible]	[illegible]
Net sales	[illegible]	[illegible]	[illegible]
Costs of goods sold, buying and occupancy	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Operating income	[illegible]	[illegible]	[illegible]
Interest expense	[illegible]	[illegible]	[illegible]
Other income, net	[illegible]	[illegible]	[illegible]
Minority interest	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
Income before income taxes	[illegible]	[illegible]	[illegible]
Provision for income taxes	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]
Net income per share:			
Basic	[illegible]	[illegible]	[illegible]
Diluted	[illegible]	[illegible]	[illegible]

[illegible]

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total Shareholders' Equity
Balance, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income				[illegible]		[illegible]
Cash dividends				[illegible]		[illegible]
[illegible]	[illegible]				[illegible]	[illegible]
[illegible]	[illegible]			[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]		[illegible]	[illegible]
Balance, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income				[illegible]	–	[illegible]
Cash dividends				[illegible]	–	[illegible]
[illegible]	[illegible]				[illegible]	[illegible]
[illegible]				[illegible]	–	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Balance, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income				[illegible]		[illegible]
Cash dividends				[illegible]		[illegible]
[illegible]	[illegible]				[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]	
[illegible]		[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balance, [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CONSOLIDATED BALANCE SHEETS

(Thousands)

Assets	February 3, 2001	January 29, 2000
Current assets		
Cash and equivalents	$563,547	[illegible]
Accounts receivable	[illegible]	[illegible]
Inventories	[illegible]	[illegible]
Other	[illegible]	[illegible]
Total current assets	[illegible]	[illegible]
Property and equipment, net	[illegible]	[illegible]
Deferred income taxes	[illegible]	[illegible]
Other assets	[illegible]	[illegible]
Total assets	[illegible]	[illegible]
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	[illegible]	[illegible]
Current portion of long-term debt		[illegible]
Accrued expenses	[illegible]	[illegible]
Income taxes	[illegible]	[illegible]
Total current liabilities	[illegible]	[illegible]
Long-term debt	[illegible]	[illegible]
Other long-term liabilities	[illegible]	[illegible]
Minority interest	[illegible]	[illegible]
Shareholders' equity		
Common stock	[illegible]	[illegible]
Paid-in capital	[illegible]	[illegible]
Retained earnings	[illegible]	[illegible]
	[illegible]	[illegible]
Less treasury stock, at average cost	[illegible]	[illegible]
Total shareholders' equity	[illegible]	[illegible]
Total liabilities and shareholders' equity	[illegible]	[illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

Operating Activities	2000	1999	1998
Net income	[illegible]	[illegible]	[illegible]
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Depreciation and amortization	[illegible]	[illegible]	[illegible]
Special and nonrecurring items, net of income taxes	[illegible]	[illegible]	[illegible]
Minority interest, net of dividends paid	[illegible]	[illegible]	[illegible]
Gain on sale of subsidiary stock, net of income taxes		[illegible]	
Change in assets and liabilities			
Accounts receivable	[illegible]	[illegible]	[illegible]
Inventories	[illegible]	[illegible]	[illegible]
Accounts payable and accrued expenses	[illegible]	[illegible]	[illegible]
Income taxes	[illegible]	[illegible]	[illegible]
Other assets and liabilities	[illegible]	[illegible]	[illegible]
Net cash provided by operating activities	[illegible]	[illegible]	[illegible]
Investing Activities			
Capital expenditures	[illegible]	[illegible]	[illegible]
Net proceeds (expenditures) related to:			
Canned real estate investment	[illegible]	[illegible]	[illegible]
Net proceeds from sale of partial interest in subsidiary and business		[illegible]	[illegible]
Decrease in restricted cash		[illegible]	
Net cash provided by (used for) investing activities	[illegible]	[illegible]	[illegible]
Financing Activities			
Repayment of long-term debt	[illegible]	[illegible]	
Proceeds from issuance of long-term debt		[illegible]	
Repurchase of common stock, including transaction costs	[illegible]	[illegible]	[illegible]
Repurchase of Intimate Brands, Inc. common stock	[illegible]	[illegible]	[illegible]
Dividends paid	[illegible]	[illegible]	[illegible]
Dividend received from Limited Too		[illegible]	
Settlement of Limited Too (TOO) and Abercrombie & Fitch (A&F) intercompany accounts		[illegible]	[illegible]
Proceeds from exercise of stock options and other	[illegible]	[illegible]	[illegible]
Net cash used for financing activities	[illegible]	[illegible]	[illegible]
Net increase (decrease) in cash and equivalents	[illegible]	[illegible]	[illegible]
Cash and equivalents, beginning of year	[illegible]	[illegible]	[illegible]
Cash and equivalents, end of year	[illegible]	[illegible]	[illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation

The Limited, Inc. (the "Company") sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response [illegible]

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Intimate Brands, Inc. ("IBI"), an 84% owned subsidiary. All significant [illegible] include the results of Galyan's Trading Co. ("Galyan's") through August 31, 1999, when a third party purchased a majority interest, Limited Too ("TOO") through August 23, 1999 [illegible] and Abercrombie & Fitch ("A&F") through May [illegible] 1998 [illegible]

[illegible]

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 2000 represent the fifty-three-week period ended February 3, 2001 and results for fiscal years 1999 and 1998 represent the fifty-two-week periods ended January 29, 2000 and January 30, 1999.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of [illegible]

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, using the retail method.

Store Supplies

The initial inventory of selling-related supplies (including, but not limited to, hangers, signage, security tags and packaging) is capitalized at the store opening date. In lieu of amortizing the initial balance, subsequent shipments are expensed, [illegible] which are capitalized. Store supplies are periodically adjusted as appropriate [illegible]

Direct Response Advertising

Direct response advertising relates primarily to the production and distribution of the Company's catalogs and is amortized over the expected future revenue stream, which is principally three months from the date catalogs are mailed. All other advertising costs are expensed at the time the promotion first appears in media or at the store. Catalog and advertising costs amounted to [illegible] million, [illegible] million and [illegible] million in 2000, 1999 and 1998.

Long-lived Assets

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10 to 15 years for building and leasehold improvements, and 3 to 10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs

are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Goodwill is amortized on a straight-line basis over 30 years. Additionally, goodwill related to a 1996 buyback of IBI stock reverses as the shares are reissued to cover shares needed for employee benefit plans. The cost of intellectual property assets is amortized based on the sell-through of the related products, over the shorter of the term of the license agreement or the estimated useful life of the asset, not to exceed 10 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Shareholders' Equity

At February 3, 2001, 1 billion shares of $.50 par value common stock were authorized and 432.4 million shares were issued. At February 3, 2001 and January 29, 2000, 425.9 million shares and 429.9 million shares were outstanding. Ten million shares of $1.00 par value preferred stock were authorized, none of which were issued.

On May 3, 2000, the Company declared a two-for-one stock split ("stock split") in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares ($107.9 million) from paid-in capital to common stock. In connection with the stock split, the Company retired 163.7 million treasury shares with a cost of $4.1 billion. A non-cash charge was made against retained earnings for the excess cost of treasury stock over its par value. All share and per share data throughout this report has been restated to reflect the stock split.

Also in 2000, the Company repurchased 9.7 million shares of its common stock for $200 million.

On June 3, 1999, the Company completed an issuer tender offer by purchasing 30 million shares of its common stock at $25 per share and on May 19, 1998, the Company acquired 94.2 million shares of its common stock via a tax-free exchange offer to establish A&F as an independent company (see Note 2).

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise. Shipping and handling revenues are included in net sales and the related costs are included in costs of goods sold, buying and occupancy. Revenue for gift certificates [illegible] recognized at redemption. [illegible] provided for projected merchandise returns based on prior experience.

The Company's revenue recognition policies are consistent with the guidance contained in the Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," the adoption of which did not have a material impact on the consolidated financial statements.

Earnings Per Share

Net income per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share include the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding. [illegible]

Weighted Average Common Shares Outstanding (thousands):

Weighted Average Common Shares Outstanding	2000	1999	1998
Basic shares	427,024	[illegible]	[illegible]
Effect of dilutive options and restricted stock	[illegible]	[illegible]	[illegible]
Diluted shares	[illegible]	[illegible]	[illegible]

The computation of earnings per diluted share excludes options to purchase [illegible] shares of common stock [illegible] because the options' exercise prices were greater than the average market price of the common shares during the period. [illegible]

Gains on Sale of Subsidiary Stock

[illegible]

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the Company revises its estimates and assumptions as new information becomes available.

Reclassifications

In the fourth quarter of 2000, the Company adopted [illegible] Emerging Issues Task Force [illegible] "Accounting for Shipping and Handling Fees and Costs." [illegible] Prior year amounts have been reclassified to conform with the current year presentation. [illegible]

[illegible] recorded in general, administrative and store operating expenses. These reclassifications had no effect on net income. Certain other amounts have been reclassified to conform to the current year presentation.

2. Special and Nonrecurring Items

During the fourth quarter of 2000, the Company recorded a $10 million special and nonrecurring charge to close Bath & Body Works' [illegible] United Kingdom stores. [illegible]

During the fourth quarter of 1999, the Company recognized [illegible] Henri Bendel [illegible] special and nonrecurring charge to operating income in 1997. The execution of the plan to downsize the remaining Henri Bendel store in New York was primarily based on negotiations with the original landlord. However, a change in landlords [illegible] fourth quarter of 1999 [illegible] the Company [illegible] through the special and nonrecurring charge.

On July 13, 1999, the Company's Board of Directors approved a formal plan to spin-off Limited Too. The record date [illegible] August 13, 1999 [illegible] the Company's shareholders [illegible] the spin-off, the Company received [illegible] the Company received total proceeds of $62 million that included a $50 million dividend from TOO and a $12 million repayment of advances to TOO. During the second quarter of 1999, the Company recognized a $3.3 million charge for transaction costs related to the spin-off.

On May 19, 1998, the Company completed a tax-free exchange offer to establish A&F as an independent company. A total of 94.2 million shares of the Company's common stock were exchanged at a ratio of 0.86 of a share of A&F [illegible] with the exchange, the Company recorded a $1.651 billion tax-free gain. This gain was measured based on the $29.81 per share market value of the A&F common stock at the expiration date of the exchange offer. In addition, on June 1, 1998, a $13.6 million dividend was effected through a pro rata spin-off to shareholders of the Company's remaining 6.2 million A&F shares. Limited shareholders of record as of the close of trading on May 29, 1998 received 0.0567 of a share of A&F for each Limited share owned at that time.

During the first quarter of 1998, the Company recognized [illegible] Brylane at $51 per share, representing its remaining interest in Brylane. This gain was partially offset by a $13.3 million charge for severance and other associated [illegible] related to the closing of five of six Henri Bendel stores. The severance charge was paid in 1998.

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3. Property and Equipment, Net

(Thousands)

Property and Equipment, at Cost	2000	1999
Land, buildings and improvements	[illegible]	[illegible]
Furniture, fixtures and equipment	[illegible]	[illegible]
Leaseholds and improvements	[illegible]	[illegible]
Construction in progress	[illegible]	[illegible]
Total	[illegible]	[illegible]
Less: accumulated depreciation and amortization	[illegible]	[illegible]
Property and equipment, net	[illegible]	[illegible]

4. Leased Facilities, Commitments and Contingencies

[illegible]

(Thousands)

Rent Expense	2000	1999	1998
Base rent			
Fixed minimum	[illegible]	[illegible]	[illegible]
Contingent	[illegible]	[illegible]	[illegible]
Total base rent	[illegible]	[illegible]	[illegible]
Equipment and other	[illegible]	[illegible]	[illegible]
Total rent expense	[illegible]	[illegible]	[illegible]

[illegible]

(Thousands)

Minimum Rent Commitments Under Noncancelable Leases	
2001	[illegible]
2002	[illegible]
2003	[illegible]
2004	[illegible]
2005	[illegible]
Thereafter	[illegible]

[illegible]

5. Accrued Expenses

(Thousands)

Accrued Expenses	2000	1999
Compensation, payroll taxes and benefits	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Taxes, other than income	[illegible]	[illegible]
Interest	[illegible]	[illegible]
Other	[illegible]	[illegible]
Total	[illegible]	[illegible]

6. Income Taxes

(Thousands)

Provision for Income Taxes	2000	1999	1998
Currently payable			
Federal	[illegible]	[illegible]	[illegible]
State	[illegible]	[illegible]	[illegible]
Foreign	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]
Deferred			
Federal	[illegible]	[illegible]	[illegible]
State	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]
Total provision	[illegible]	[illegible]	[illegible]

[illegible]

Reconciliation Between the Statutory Federal Income Tax Rate and the Effective Tax Rate	2000	1999	1998
Federal income tax rate	[illegible]	[illegible]	[illegible]
State income taxes, net of federal income tax effect	[illegible]	[illegible]	[illegible]
Other items, net	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]

[illegible]

(Thousands)

Effect of Temporary Differences that Give Rise to Deferred Income Taxes	2000 Assets	2000 Liabilities	2000 Total	1999 Assets	1999 Liabilities	1999 Total
[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
Undistributed earnings of foreign affiliates		[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
Rent	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
Investments in unconsolidated affiliates	[illegible]		[illegible]		[illegible]	[illegible]
State income taxes	[illegible]		[illegible]	[illegible]		[illegible]
Other, net	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Total deferred income taxes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

7. Long-term Debt

(Thousands)

Components of Long-term Debt	2000	1999
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
	[illegible]	[illegible]
Less current portion of long-term debt		[illegible]
Total	[illegible]	[illegible]

[illegible]

... standing at February 3, 2001 and January 29, 2000. The Agreement contains covenants relating to the Company's working capital, debt and net worth.

The Company has a shelf registration statement, under which up to $250 million of debt securities and warrants to purchase debt securities may be issued.

Interest paid was [illegible] million, [illegible] million and [illegible] million in 2000, 1999 and 1998.

8. Contingent Stock Redemption Agreement and Restricted Cash

On May 3, 1999, the Company, Leslie H. Wexner, Chairman and CEO of the Company, and The Wexner Children's Trust (the "Trust") entered into an agreement (the "Restricted

Agreement [illegible] rescinding the Contingent Stock Redemption Agreement dated as of January 26, 1996, as amended, among the Company, Mr. Wexner and the Trust. Pursuant to the Rescission Agreement, the rights and obligations of the Company, Mr. Wexner and the Trust under the Contingent Stock Redemption Agreement were terminated, and the Company used the [illegible] to purchase [illegible] shares in the Company's tender offer, which expired on June 1, 1999.

The Company earned interest of $4.1 million and $17.4 million in 1999 and 1998 on the restricted cash.

8. Stock Options and Restricted Stock

Under the Company's stock plans, associates may be granted up to a total of 62.9 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. Options generally vest 25% per year over the first four years of the grant. Of the options granted, [illegible] million in [illegible] million in [illegible] 1998 had graduated vesting schedules of six or more years. Options have a maximum term of ten years.

Under separate IBI stock plans, IBI associates may be granted up to a total of 16.8 million restricted shares and options to purchase IBI's common stock at the market price on the date of grant. As of February 3, 2001, options to purchase [illegible] million IBI shares were outstanding, of which [illegible] million options were exercisable. Under these plans, options generally vest over periods from four to six years.

The Company accounts for compensation expense under APB Opinion No. 25, "Accounting for Stock Issued to Employees" [illegible]. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below. [illegible] including the impact of options issued by IBI, would have been a reduction of approximately $22.3 million or $0.09 per share [illegible] per share in [illegible].

The weighted average per share fair value of options granted ($5.19, $5.64 and $4.16 during 2000, 1999 and 1998) was used to calculate the pro forma compensation expense. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2000, 1999 and 1998: dividend yields of 2.3%, 2.1% and [illegible]; volatility of [illegible]; risk-free interest rates of [illegible]; and expected lives of [illegible] years.

Restricted Stock

Approximately 41,000, 1,040,000 and 2,716,000 restricted Limited shares were granted in 2000, 1999 and 1998, with market values at date of grant of $0.7 million, $18.1 million and $27.4 million. Restricted shares generally vest either on a graduated scale over four years or 100% at the end of a fixed vesting period, principally five years. In 1999, 100,000 restricted shares were granted with a graduated vesting schedule over six years. Approximately 314,000 restricted shares granted in [illegible].

Additionally, the expense recognized from the issuance of IBI restricted stock grants impacted the Company's consolidated results. IBI granted 19,000, 140,000 and 450,000 restricted shares in 2000, 1999 and 1998. Vesting terms for the IBI [illegible] 1999.

10. Retirement Benefits

The Company sponsors [illegible] and a nonqualified [illegible] plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was $57.9 million in 2000, $43.7 million in 1999 and $42.1 million in 1998. The liability for the nonqualified plan at February 3, 2001 and January 29, 2000 amounted to [illegible] million and [illegible] million and is included in other long-term liabilities.

11. Derivatives, Fair Value of Financial Instruments and Concentration of Credit Risk

The Company uses forward contracts on a limited basis to [illegible] the risk of [illegible] foreign currency rates on a small volume of its merchandise purchases. These financial instruments are designated at inception as hedges and are monitored to determine their effectiveness as hedges. The Company does not hold or issue financial instruments for trading purposes.

At January 29, 2000, the Company had an interest rate swap that effectively changed the Company's interest rate exposure on [illegible] million of variable rate debt to a fixed rate [illegible] through July 2000. There were no interest rate swaps outstanding at February 3, 2001.

Fair Value

The carrying value of cash equivalents, accounts receivable, accounts payable, current portion of long-term debt, and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of the Company's long-term debt at February 3, 2001 and January 29, 2000 was $396.4 million and $377.0 million compared to the carrying value of $400.0 million in 2000 and 1999.

Concentration of Credit Risk

The Company is subject to concentrations of credit risk relating to cash and equivalents. The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

12. Segment Information

The Company identifies operating segments based on a business's operating characteristics. Reportable segments were determined based on similar economic characteristics, the nature of products and services and the method of distribution. The apparel segment derives its revenues from sales of women's and men's apparel. The Intimate Brands segment derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories. Sales outside the United States were not significant.

The Company and IBI have entered into intercompany agreements for services that include merchandise purchases, capital expenditures, real estate management and leasing, inbound and outbound transportation and corporate services. These agreements specify that identifiable costs be passed through to IBI and that other service costs be allocated using various methods. Costs are passed through and allocated to the apparel businesses in a similar manner. Management believes that the methods of allocation are reasonable.

As a result of its spin-off, the operating results of TCC are included in the "Other" category for all periods presented. The operating results of Galyan's (which were consolidated through August 31, 1999 and accounted for using the equity method thereafter) are also included in the "Other" category.

Stock Options Outstanding at February 3, 2001

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
[illegible]	[illegible]	5.8	$9	[illegible]	$9
[illegible]	[illegible]	[illegible]	$15	[illegible]	$15
[illegible]	[illegible]	[illegible]	$18	[illegible]	$18
[illegible]	[illegible]	9.0	$22	[illegible]	$22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Stock Option Activity	Number of Shares	Weighted Average Option Price Per Share
2000		
Outstanding at beginning of year	[illegible]	[illegible]
Granted	[illegible]	[illegible]
Exercised	[illegible]	[illegible]
Canceled	[illegible]	[illegible]
Outstanding at end of year	[illegible]	[illegible]
Options exercisable at end of year	[illegible]	[illegible]
1999		
Outstanding at beginning of year	[illegible]	[illegible]
Granted	[illegible]	[illegible]
Exercised	[illegible]	[illegible]
Canceled	[illegible]	[illegible]
Outstanding at end of year	[illegible]	[illegible]
Options exercisable at end of year	[illegible]	[illegible]
1998		
Outstanding at beginning of year	[illegible]	[illegible]
Granted	[illegible]	[illegible]
Exercised	[illegible]	[illegible]
Canceled	[illegible]	[illegible]
Outstanding at end of year	[illegible]	[illegible]
Options exercisable at end of year	[illegible]	[illegible]

(Thousands)

Segment Information	Apparel Operations	Intimate Brands	Other	Reconciling Items	Total
2000					
Net sales	[illegible]	[illegible]	[illegible]		[illegible]
Intersegment sales	[illegible]			[illegible]	
Depreciation and amortization	[illegible]	[illegible]	[illegible]		[illegible]
Operating income (loss)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]		[illegible]
1999					
Net sales	[illegible]	[illegible]	[illegible]		[illegible]
Intersegment sales	[illegible]	–	–	[illegible]	
Depreciation and amortization	[illegible]	[illegible]	[illegible]		[illegible]
Operating income (loss)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]		[illegible]
1998					
Net sales	[illegible]	[illegible]	[illegible]		[illegible]
Intersegment sales	[illegible]			[illegible]	
Depreciation and amortization	[illegible]	[illegible]	[illegible]		[illegible]
Operating income (loss)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]		[illegible]

[illegible]

Quarterly Financial Data (Unaudited)

[illegible]

2000 Quarters	First	Second	Third	Fourth
Net sales	[illegible]	[illegible]	[illegible]	[illegible]
Gross income	[illegible]	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Net income per share				
Basic	[illegible]	[illegible]	[illegible]	[illegible]
Diluted	[illegible]	[illegible]	[illegible]	[illegible]
1999 Quarters				
Net sales	[illegible]	[illegible]	[illegible]	[illegible]
Gross income	[illegible]	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Net income per share				
Basic	[illegible]	[illegible]	[illegible]	[illegible]
Diluted	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MARKET PRICE AND DIVIDEND INFORMATION

The Company's common stock is traded on the New York Stock Exchange ("LTD") and the London Stock Exchange. On February [illegible], there were approximately [illegible] shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through [illegible] retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately [illegible].

	Market Price High	Market Price Low	Cash Dividend Per Share
Fiscal Year 2000			
4th quarter	[illegible]	[illegible]	[illegible]
3rd quarter	[illegible]	[illegible]	[illegible]
2nd quarter	[illegible]	[illegible]	[illegible]
1st quarter	[illegible]	[illegible]	[illegible]
Fiscal Year 1999			
4th quarter	[illegible]	[illegible]	[illegible]
3rd quarter	[illegible]	[illegible]	[illegible]
2nd quarter	[illegible]	[illegible]	[illegible]
1st quarter	[illegible]	[illegible]	[illegible]

[illegible]

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of The Limited, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements [illegible] and the results of their operations and their cash flows for each of the three years in the period ended February 3, 2001 [illegible] on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Columbus, Ohio
March [illegible], 2001

Philanthropy

A poet once wrote, "Where there is a woman there is magic." She could have been reading our minds. We at The Limited, Inc. owe most of what we've built to women. Today, 85% of our associates, more than 80% of our supervisors and managers, and more than 90% of our customers are women.

Our responsibility to our associates and customers includes a shared value — to be a source of good in the communities in which we live and work, and to translate our shared set of values and respect into real actions, with meaningful results.

This is the reason we focus our philanthropic work on issues that impact women and children. Whether through better education, safe and healthy environments or positive role models, we do our best to return some of that magic.

And we're proud of what we've achieved so far. In 2000 alone, our businesses and individual associates contributed or raised $21 million to causes serving women, children and education. Over the past five years, we've raised more than $70 million for those organizations closest to our associates' and our customers' hearts.

More than dollars, we've given time, and given of ourselves. Over the last two years, for instance, our associates have devoted more than 50,000 hours, on company time, to tutoring inner-city kindergartners. From our CEOs to our associates, every level of the organization has committed to helping raise our children's reading levels. First through our ColumbusReads program, and now through similar programs in New York City and Kettering, Ohio, we've impacted 750 children.

What makes programs like these exceptional, beyond a dedication to doing good, is their ability to create change. When ColumbusReads began, Sullivant Elementary School ranked third from the bottom in regional reading levels, with only 28% of its students passing the kindergarten assessment. Last April, that same school rose to fourth among the city's 94 elementary schools, with 97% of its students mastering the reading test.

And we hold the same standard — a commitment to systemic change — to the organizations we partner with. With the United Way, for instance, we established a Community Leaders Giving Guide, a means to recognize and celebrate personal contributions, regardless of the amount people were able to give. As a result, contributions in the region grew to a record $52 million in 2000.

The YWCA is also a powerful force for change, giving shelter and hope to homeless women and children. For 11 years, we have cosponsored its Women of Achievement Luncheon, which last year brought together 2,500 mothers, daughters, grandmothers and others to honor the women who have set the bar high for our children. In doing so, the event raised $250,000 — and more than $3 million over 11 years — for the YWCA.

We've been drawn to many more groups that share our belief in preserving the family and nurturing women's growth: to the Children's Defense Fund, where we sponsored efforts that raised $4 million over nine years for child care, health care and Headstart programs; to the Coalition Against Family Violence, founded by our board member Abigail Wexner, where our efforts have brought in more than $3 million to help eliminate violence in the home and the community; and to the American Foundation for AIDS Research (amfAR), for which our Victoria's Secret Cannes 2000 Fashion Show helped raise more than $2.7 million for AIDS research.

As always, the results are an inspiration to us and, we hope, to you. More than $70 million raised. Countless hours given. Unlimited possibilities. That's some powerful magic.

our brands:

WE ARE DETERMINED TO CREATE SUSTAINED GROWTH OF SHAREHOLDER VALUE THROUGH A FAMILY OF THE WORLD'S BEST FASHION BRANDS, BRANDS THAT CUT THROUGH AT RETAIL AND CAN SUSTAIN SUPERIOR, PREDICTABLE LEVELS OF PROFITABILITY.

WE ARE IN THE PROCESS OF TIGHTLY DEFINING, EDITING AND REFINING OUR PORTFOLIO. YOU CAN GET A MORE DETAILED VIEW OF OUR BRAND PORTFOLIO AS IT CURRENTLY STANDS OVER THE NEXT SEVERAL PAGES.

FROM EVERY ANGLE **express** IS A FASHION LEADER INTERNATIONAL INNOVATIVE SEXY STRONG A MODERN BRAND THAT DELIVERS RUNWAY STYLE VIRTUALLY AS IT HEADS DOWN THE RUNWAY GREAT DESIGN WELL PRICED THAT'S EXPRESS

EXPRESS CONTINUES TO BE OUR MOST PROFITABLE APPAREL BRAND OPERATING INCOME INCREASED SIGNIFICANTLY OVER 1999 COMPARABLE STORE SALES INCREASED 15% IN FISCAL 2000 OVER A 5% GAIN IN 1999

EXPRESS MEN'S

2001 WILL BRING AN EXCITING GROWTH OPPORTUNITY TO EXPRESS WITH THE INTEGRATION OF STRUCTURE INTO EXPRESS AS EXPRESS MEN'S STRUCTURE WILL BE REUNITED WITH ITS ORIGINAL BRAND AND LEADER MICHAEL WEISS STRUCTURE WAS FOUNDED IN 1987 AS A DIVISION OF EXPRESS THE ADDITION OF A MEN'S BUSINESS WILL ALLOW EXPRESS TO BE COMPETITIVE WITH OTHER SUCCESSFUL MODERN DUAL-GENDER BRANDS

BEST-AT AND WIN-AT MERCHANDISE CATEGORIES

EXPRESS HAS DISTORTED TIME TALENT AND INVENTORY CAPITAL TO ITS BEST-AT MERCHANDISE CATEGORY OF KNIT TOPS AND SWEATERS AND ITS WIN-AT MERCHANDISE CATEGORY OF DENIM THE GOAL IS FOR EXPRESS TO BECOME THE DESTINATION FOR STYLE COLOR AND FIT THE TOP OF MIND CHOICE FOR THE FASHION CONSCIOUS WOMAN EXPRESS CAN MEET ALL HER NEEDS BY OFFERING A GOOD BETTER BEST PRICING STRUCTURE A BASIC FASHION AND FASHION FORWARD STYLE PYRAMID AND WORK WEEKEND AND SOCIAL OCCASION MERCHANDISE A SIGNIFICANT PORTION OF EXPRESS'S TARGETED REVENUE GROWTH WILL COME FROM BEST-AT AND WIN-AT CATEGORIES SINCE DENIM WAS IDENTIFIED AS WIN-AT SALES HAVE INCREASED AT A 25% COMPOUNDED ANNUAL GROWTH RATE

LINGERIE

LINGERIE THE FIRST LAYER OF FASHION™ IS A NEW MERCHANDISE CATEGORY FOR EXPRESS THAT WAS LAUNCHED IN THE FALL OF 1999 AND IS NOW IN ALL STORES IT GREW TO A $50 MILLION BUSINESS IN VOLUME IN ITS FIRST YEAR IT IS AN INCREMENTAL BUSINESS THAT REPRESENTS ANOTHER GROWTH OPPORTUNITY FOR EXPRESS.

MUST WIN STORE PROGRAM

THE MUST WIN STORE PROGRAM IS A LIMITED INC COMPANYWIDE INITIATIVE THAT WAS INITIALLY DEVELOPED AT EXPRESS EXPRESS'S TIME TALENT AND CAPITAL IS DISTORTED TO ITS 182 MUST WIN STORES, WHICH ARE IN LOCATIONS WHERE SIGNIFICANT OPPORTUNITIES FOR IMPROVEMENTS IN SALES PRODUCTIVITY EXIST IN 2000 COMPARABLE STORE SALES IN MUST WIN STORES EXCEEDED THE BALANCE OF THE CHAIN BY 7% EXPRESS'S GOAL IS TO DOUBLE THE VOLUME IN ITS MUST WIN STORES BY 2003

lerner new york IS REDEFINING COMPETITIVELY PRICED FASHION WITH ITS NEW YORK & COMPANY BRAND. MODERN. CITY HIP. ENERGETIC. NEW YORK & COMPANY IS FASHION WITH AN ATTITUDE.

AFTER A DIFFICULT SPRING 2000 CAUSED BY FASHION MISSTEPS (COMPARABLE STORE SALES DECLINED [illegible]%), LERNER NEW YORK RECOVERED SOME MOMENTUM AND DELIVERED A FALL COMPARABLE STORE SALES INCREASE OF 9% AND A SLIGHT IMPROVEMENT OVER LAST YEAR IN FOURTH QUARTER OPERATING INCOME. OPERATING INCOME FOR THE YEAR 2000 DECLINED FROM 1999.

NEW YORK & COMPANY

IN 2000, LERNER NEW YORK REMODELED AND CONVERTED 79 STORES IN THE NEW YORK, PHILADELPHIA AND CHICAGO MARKETS TO NEW YORK & COMPANY. THE INITIAL RESULTS OF THIS TEST HAVE BEEN ENCOURAGING, AND WILL BE EVALUATED IN 200[illegible]. ONE OF THE TOP PRIORITIES IN 2001 WILL BE CONTINUING TO BUILD THE NEW YORK & COMPANY BRAND THROUGH FASHION AND MARKETING THAT CONVEY ENERGY AND EXCITEMENT.

CRITICAL FEW INITIATIVES

LERNER NEW YORK'S RESOURCES WILL CONTINUE TO BE FOCUSED ON ITS BEST AT MERCHANDISE CATEGORY OF BOTTOMS AND THE MUST WIN STORES. TWO NEW "CRITICAL FEW INITIATIVES" FOR 2001 ARE IMPROVING SUPPLY CHAIN EFFICIENCY AND LEVERAGING MERCHANDISE PROCESS REDESIGN TEAMS FOR PROFITABILITY.


Gallery

the limited BRAND DESIGNS SOPHISTICATED SPORTSWEAR FOR THE MODERN AMERICAN WOMAN, WHO WANTS ACCESSIBLE FEMININE FASHION AT A GREAT VALUE.

2000 WAS A DISAPPOINTING YEAR FOR THE LIMITED. ALTHOUGH COMPARABLE STORE SALES INCREASED 6% ON TOP OF LAST YEAR'S 5% GAIN, OPERATING INCOME DECLINED SIGNIFICANTLY, PRIMARILY DUE TO MARKDOWNS THAT WERE TAKEN TO CLEAR THROUGH A POOR KNIT TOP ASSORTMENT. THE LIMITED ENDED THE YEAR WITH 389 STORES, ONE-HALF ITS HIGH OF 778 STORES IN 1990. THE CLOSURE OF UNDERPERFORMING STORES AT THE LIMITED HAS RESULTED IN SIGNIFICANT IMPROVEMENTS IN THE BUYING AND OCCUPANCY EXPENSE RATE.

BEST AT VIRTUAL STRETCH

THE VIRTUAL STRETCH SYSTEM IS A COLLECTION OF RELATED SEPARATES FOR THE MODERN AMERICAN WOMAN, INCLUDING JACKETS, SKIRTS, PANTS AND TOPS IN A VARIETY OF INNOVATIVE FABRICS. IT IS THE LIMITED'S BEST AT MERCHANDISE CATEGORY AND IS TARGETED TO REPRESENT MORE THAN 35% OF SALES IN 2001, IMPRESSIVE FOR A CATEGORY THAT WAS NONEXISTENT IN 1998.

MUST WIN STORE PROGRAM

THE MUST WIN STORE PROGRAM CONTINUES TO BE ONE OF THE LIMITED'S CRITICAL FEW INITIATIVES IN 2001. TIME, TALENT AND CAPITAL ARE DISTORTED TO THESE 150 STORES WITH THE GOAL OF SIGNIFICANTLY IMPROVING PRODUCTIVITY. IN 2000, THESE STORES ACHIEVED A DOUBLE-DIGIT COMPARABLE STORE SALES INCREASE OVER THE BALANCE OF THE CHAIN, ON TOP OF A DOUBLE-DIGIT GAIN FROM LAST YEAR.

TALENT

SUPERIOR PERFORMANCE REQUIRES EXCEPTIONAL TALENT. RECRUITING AND RETAINING HIGH-QUALITY TALENT IS ONE OF THE LIMITED'S TOP PRIORITIES.

HOT FASHION, STAR POWER, SIZZLING BRANDS: **lane bryant**'S SPORTSWEAR LINE, VENEZIA JEANS CLOTHING CO. AND SEXY NEW INTIMATES LINE, CACIQUE, SET THE STANDARD IN HIP FASHION FOR WOMEN SIZE 14+

LANE BRYANT'S COMPARABLE STORE SALES INCREASED 2% IN 2000, BUT SOME "TOP 15" ITEMS DID NOT PERFORM, AND AS A RESULT GROSS MARGIN AND OPERATING INCOME WERE DOWN TO LAST YEAR.

ON THE POSITIVE SIDE, VENEZIA JEANS GREW 36% IN 2000 AND PERFORMANCE IN INTIMATE APPAREL CONTINUES TO BE STRONG, WITH A 22% INCREASE IN COMPARABLE STORE SALES.

BRAND INITIATIVES

THE YEAR 2000 PROVIDED SOME VALUABLE LESSONS WITH THE SUCCESS OF VENEZIA JEANS AND CACIQUE INTIMATES. IN 2001, LANE BRYANT WILL FOCUS ON FOUR KEY THEMES: STRATEGIC PLANNING, MERCHANDISE PROCESS REDESIGN, INVENTORY MANAGEMENT AND STORE EXECUTION. THESE INITIATIVES ARE ALL ABOUT NAILING THE FUNDAMENTALS – THEY CUT ACROSS ALL FUNCTIONS OF THE COMPANY.

FUTURE DIRECTIONS

ON FEBRUARY 28, 2001, AS PART OF ITS MULTIPLE-YEAR STRATEGY TO CREATE SUSTAINED GROWTH OF SHAREHOLDER VALUE, THE LIMITED, INC. ANNOUNCED ITS INTENT TO PURSUE A STRATEGIC OR FINANCIAL BUYER FOR LANE BRYANT.

ONE OF MANHATTAN'S MOST BEAUTIFUL AND FASHIONABLE SHOPPING ENVIRONMENTS, henri bendel'S LANDMARK FIFTH AVENUE STORE IS A MECCA FOR MODERN, SOPHISTICATED, HIGHER INCOME WOMEN FROM ALL OVER THE WORLD.

MERCHANDISING

HENRI BENDEL CONTINUED TO REDIRECT AND STRENGTHEN ITS MERCHANDISING STRATEGY TO REFLECT ITS TARGET CUSTOMER. HENRI BENDEL ALSO FOCUSED ON YOUNG AND EMERGING DESIGNER TALENT TO SEPARATE ITSELF FROM THE COMPETITION.

ADVERTISING

HENRI BENDEL INCREASED THE VISIBILITY OF THE STORE THROUGH REGIONAL BUYS IN TARGETED HIGH PROFILE ADVERTISING VEHICLES, INCLUDING INSTYLE, HARPER'S BAZAAR, AND VOGUE, AND ALSO INCREASED ITS PRESENCE IN NEW YORK MAGAZINE.

WINDOWS

HENRI BENDEL'S WINDOWS FEATURED UNIQUE, ENTICING DISPLAYS, INCLUDING INTERACTIVE AND LIVE-ACTION WINDOWS AND GUEST WINDOW DESIGNERS. WEEKLY COSMETICS AND DESIGNER WINDOWS HIGHLIGHTED BENDEL'S UNIQUE MERCHANDISE AND PROMOTIONAL ACTIVITIES.

EVENTS

HENRI BENDEL ALSO INCREASED THE VISIBILITY OF THE STORE THROUGH HIGH-PROFILE ON-SITE EVENTS, INCLUDING INSTYLE BEAUTY ISSUE PARTIES; CHARLIE'S ANGELS FILM PREMIERE; NEW CREATORS YOUNG DESIGNER LAUNCH PARTY; GIRLS' NITES WORKSHOP SERIES; CHARITY EVENTS; AND BENDEL'S SIGNATURE OPEN SEE, A DESIGNER CASTING CALL HELD IN NEW YORK AND LOS ANGELES. IN ADDITION TO ENTICING TARGETED POTENTIAL CUSTOMERS TO THE STORE, THESE EVENTS GENERATED PRESS COVERAGE AND CREATED POSITIVE ENERGY AND "BUZZ."

THE LIMITED, INC. OWNS APPROXIMATELY 84% OF **INTIMATE BRANDS, INC.** (NYSE: IBI). IBI IS THE LEADING SPECIALTY RETAILER OF INTIMATE APPAREL, PERSONAL CARE AND BEAUTY PRODUCTS, SOLD THROUGH THE VICTORIA'S SECRET, BATH & BODY WORKS AND WHITE BARN CANDLE COMPANY BRANDS. IBI IS ALSO THE PARENT COMPANY OF INTIMATE BEAUTY CORPORATION, WHICH HOUSES THE VICTORIA'S SECRET BEAUTY BUSINESS.

victoria's secret

SEXY, GLAMOUROUS, INNOVATIVE. **VICTORIA'S SECRET** IS THE LEADING SPECIALTY RETAILER OF LINGERIE AND BEAUTY PRODUCTS, DOMINATING ITS WORLD WITH MODERN, FASHION-INSPIRED COLLECTIONS, PRESTIGE FRAGRANCES AND COSMETICS, CELEBRATED SUPERMODELS AND WORLD-FAMOUS RUNWAY SHOWS. VICTORIA'S SECRET [illegible] LINGERIE AND BEAUTY STORES, THE CATALOGUE AND WWW.VICTORIASSECRET.COM ALLOW CUSTOMERS TO SHOP THE BRAND ANYWHERE, ANY TIME, FROM ANY PLACE.

UNIQUE PRODUCTS

LINGERIE

OUR "BEST AT BRAS" INITIATIVE, FUELED BY CONTINUOUS INNOVATION, AN EXPANDING ASSORTMENT AND SUB-BRAND DEVELOPMENT, HAS CREATED A BRA BUSINESS OF NEARLY $[illegible] BILLION ACROSS THE BRAND. EVERY PRODUCT INTRODUCTION OFFERS BOTH FASHION LEADERSHIP AND A UNIQUE SELLING PROPOSITION AS WE DRIVE TO INCREASE OUR MARKET SHARE IN BOTH SPECIAL OCCASION AND EVERYDAY LINGERIE.

SEAMLESS AND MODERN, BODY BY VICTORIA, OUR MOST SUCCESSFUL NEW LINE EVER, HAS PROVEN ITS STAYING POWER. THE COLLECTION GREW TO $350 MILLION IN SALES IN 2000, WITH FURTHER GROWTH AHEAD AS THE SUB-BRAND ASSORTMENT DEVELOPS AND ALSO EXPANDS INTO PERFORMANCE BODY CARE. THE ORIGINAL BODY BY VICTORIA STRETCH PAD SHAPING DEMI BRA IS OUR NUMBER ONE SELLING BRA, ALONE GENERATING $[illegible] MILLION IN SALES — MORE THAN 4.[illegible] MILLION UNITS — IN 2000.

BODYFLEX, A NEW UNDERWIRE BRA TECHNOLOGY, FEATURES A TITANIUM WIRE THAT ACTUALLY FLEXES TO THE SHAPE OF THE BODY. THE NATURAL MIRACLE BRA USES AN INNOVATIVE LIQUID PAD TO PROVIDE FULLER, MORE FLUID NATURAL CURVES AND BODY BASE. THE SIMPLE SEXY COLLECTION TARGETING OUR YOUNGEST CLIENT SEGMENTS HAS BEEN TRACKING ANNUALLY TO BE A MORE THAN $[illegible] MILLION SUB-BRAND SINCE ITS LAUNCH IN [illegible].

LINGERIE FOR LEGS

LEGWEAR IS A LOGICAL BRAND EXTENSION FOR VICTORIA'S SECRET. OUR 2001 INITIATIVES INCLUDE THE RE-LAUNCH OF THE HOSIERY CATEGORY, FEATURING THREE NEW COLLECTIONS, AND THE CONTINUED LEVERAGE OF OUR MARKET LEADERSHIP IN GLAMOUROUS SEXY SHEERS.

BEAUTY

OUR GROWING LINE OF PRESTIGE BEAUTY PRODUCTS GENERATED [illegible]% OF TOTAL VICTORIA'S SECRET SALES IN 2000, SELLING IN [illegible] BEAUTY STORES, IN 450 NICHE LOCATIONS IN LINGERIE STORES AND THROUGH VICTORIA'S SECRET DIRECT. OUR GOAL, OVER THE NEXT SEVERAL YEARS, IS TO MAKE VICTORIA'S SECRET BEAUTY A $1 BILLION BUSINESS. WE WILL FOCUS ON FOUR MAJOR CATEGORIES: PRESTIGE FRAGRANCE, COLOR COSMETICS, SKIN AND HAIR CARE, AND LIFESTYLE PRODUCTS.

THE HALLMARK OF OUR FRAGRANCE CATEGORY IS DREAM ANGELS, WHICH LAUNCHED IN LATE 1999. BY YEAR-END 2000, THE COLLECTION'S SALES REACHED $[illegible] MILLION — MAKING IT THE NUMBER ONE PRESTIGE FRAGRANCE IN THE COUNTRY. WE EXPECT EXCEPTIONAL GROWTH IN FRAGRANCE AGAIN IN 2001 AS "PINK," A UNIQUE MODERN SCENT, IS ADDED TO THE ASSORTMENT.

WITH HIGH-QUALITY, INNOVATIVE PRODUCTS AND EXPANDED DISTRIBUTION, WE EXPECT TO NEARLY QUADRUPLE VOLUME IN COLOR COSMETICS — TO ALMOST [illegible]% OF OUR TOTAL BEAUTY BUSINESS — OVER THE NEXT FEW YEARS. CURRENTLY, THE COLOR LINE IS IN [illegible] BEAUTY STORES, WITH A GOAL OF 410 STORES BY YEAR-END 2001 THROUGH THE ADDITION OF 25 STORES WITH OUR COLOR LINE AND [illegible] STORES WITH OUR LIP PRODUCTS.

IN EARLY 2001, WE LAUNCHED OUR FIRST PERFORMANCE BODY CARE COLLECTION UNDER THE BODY BY VICTORIA NAME, TO CAPITALIZE ON THE TREMENDOUS SUCCESS OF THE LINGERIE LINE. INSPIRED BY THE HIGH-TECH, SEAMLESS LINGERIE COLLECTION, BODY BY VICTORIA BODY CARE OFFERS THE ULTIMATE IN SEXY SKIN PERFORMANCE.

OUR COLLECTION OF HIGH-QUALITY FEMININE COSMETIC AND TRAVEL BAGS, IN OUR SIGNATURE PINK-ON-PINK STRIPED PATTERN, HAS PROVEN TO BE AN EXCELLENT SELLER. A SIGNATURE LAUNDRY COLLECTION FOR FINE WASHABLES, WITH A DELICIOUSLY FRESH SCENT, IS ALSO VERY SUCCESSFUL. WE ALSO OFFER MANY GIFT ITEMS WHICH HELP MAKE VICTORIA'S SECRET A FREQUENT SHOPPING DESTINATION.

360° ACCESS, ATTAINABLE GLAMOUR

OUR STORES

A NEW, MORE UPSCALE, MODERN AND SOPHISTICATED DESIGN FOR BOTH OUR LINGERIE AND BEAUTY STORES IS TAKING THE STORES TO A NEW ASPIRATIONAL LEVEL. WE PLAN TO OPEN [illegible] 10-15 LINGERIE STORES AND [illegible] 10-20 FREESTANDING BEAUTY STORES AND EXPAND AND/OR REMODEL [illegible] TO [illegible] MORE IN THIS NEW IMAGE IN 2001.

STORE EXPANSION WILL ALSO YIELD INCREMENTAL SALES. RIGHT NOW, MANY OF OUR STORES IN TOP MARKETS ARE SPACE CONSTRAINED. WE SEE MANY OPPORTUNITIES TO DOUBLE OR EVEN TRIPLE SQUARE FEET IN OUR BEST MARKETS. IN TOTAL, WE'LL BE INVESTING OVER $[illegible] MILLION IN REMODELS AND EXPANSIONS IN 2001.

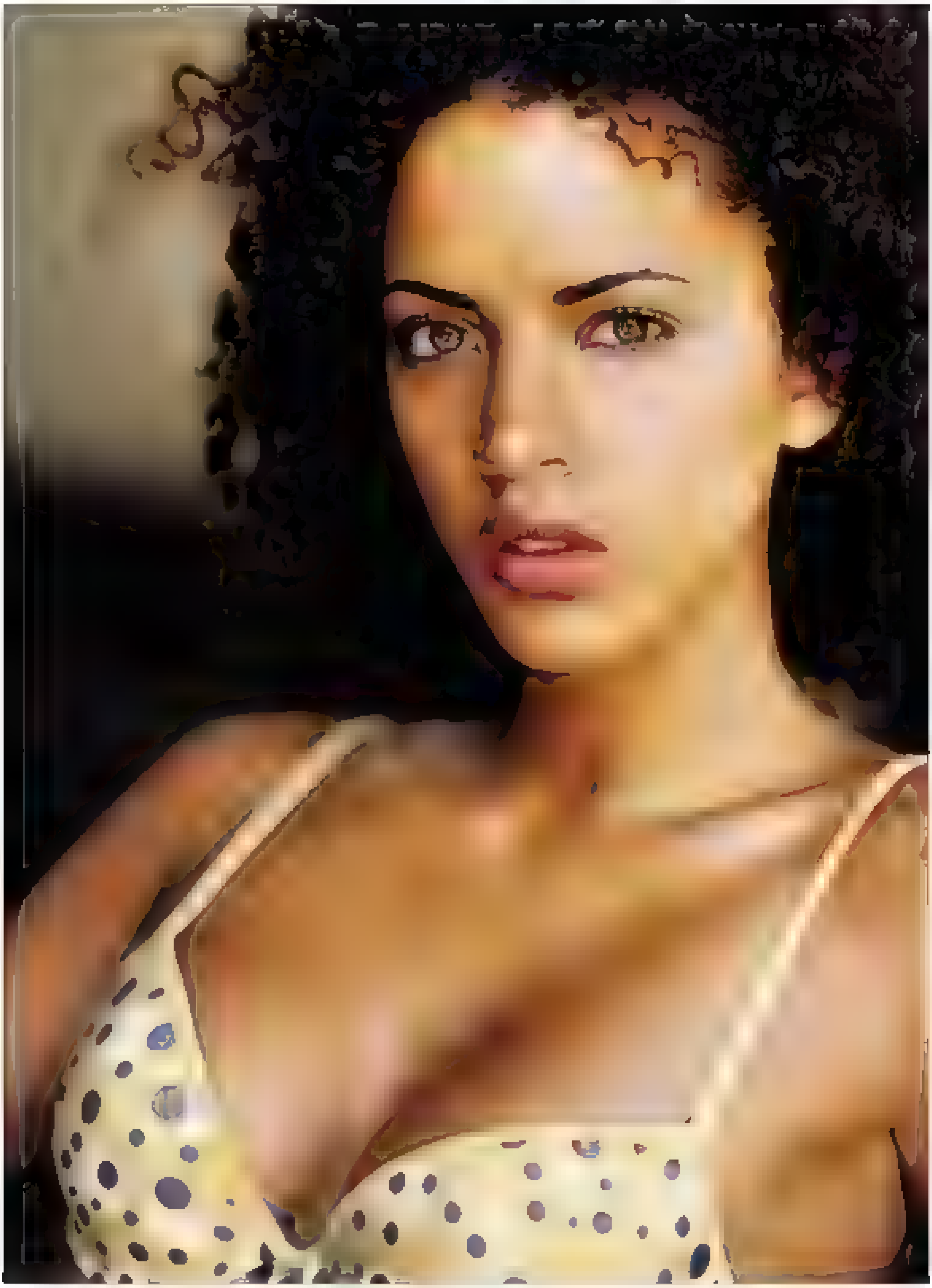
FOR THE NEXT FEW YEARS, TOTAL SELLING SQUARE FEET GROWTH FROM NEW STORES AND EXPANSIONS SHOULD BE ABOUT [illegible] TO 10% PER YEAR, COMPARED WITH 7% IN 1999 AND [illegible]% IN 2000.

VICTORIA'S SECRET DIRECT

VICTORIA'S SECRET DIRECT, OUR CATALOGUE AND E-COMMERCE BUSINESS, EFFECTIVELY LEVERAGES OUR STRONG BRAND RECOGNITION AND OUR CATALOGUE INFRASTRUCTURE. FOR YEARS, THE CATALOGUE HAS SERVED AS BOTH A WONDERFUL DISTRIBUTION CHANNEL AND BRAND ADVERTISING AND MARKETING VEHICLE.

WWW.VICTORIASSECRET.COM USES NOT ONLY EXISTING CATALOGUE PHOTOGRAPHY BUT ALSO THE EXISTING SALES AND SERVICE CENTER AND A DISTRIBUTION CENTER THAT SHIPS THOUSANDS OF PACKAGES A DAY. BRAND-WIDE PRODUCT LAUNCHES, INCLUDING CATALOGUE COVERS AND LAYOUTS, WEB EXPOSURES, AND OUTBOUND E-MAIL, ARE ALL TIGHTLY ALIGNED WITH ADVERTISING AND IN-STORE MARKETING.

WITH WWW.VICTORIASSECRET.COM COMPLETING OUR 360° BRAND, WE NEARLY DOUBLED THE PERCENTAGE OF CLIENTS THAT SHOP BOTH THE INTERNET AND CATALOGUE IN 2000. INTERNET SALES ALONE TRIPLED IN 2000 TO REPRESENT ABOUT 4% OF BRAND SALES, AND EVERY ORDER PLACED ON WWW.VICTORIASSECRET.COM CONTRIBUTES A HIGHER PROFIT MARGIN AS ORDER PROCESSING IS STREAMLINED.



bath & body works is redefining how people think about personal care. We have built a brand with unmatched staying power: a mix of natural but luxurious body and hair care products grounded in world-class fragrance development.

REDEFINING PERSONAL CARE

Largely because of Bath & Body Works, personal care has been transformed from a basic routine to a head-to-toe pampering lifestyle. People have gone from washing with soap to cleansing with a scented refreshing shower gel. Women have moved from using moisturizer simply as a healing agent for dry skin to hydrating with a fragrant, luxurious lotion. This redefinition of personal care has built Bath & Body Works into a $1.8 billion force in the personal care industry.

THE UNIQUE BATH & BODY WORKS EXPERIENCE

Our core strengths – unparalleled innovation, superior product performance, world-class fragrance development delivered in an intimate, entertaining shopping experience – make for unique advantages against the competition. And with only a 5% share of the $35 billion personal care market, the opportunity for continued strong growth is substantial.

UNPARALLELED INNOVATION: BIO

Our year 2000 performance hair and face care line introduction, Bio, grew out of Bath & Body Works' commitment to innovation. Today's $4 billion U.S. hair care market* looks much like the personal care industry when Bath & Body Works was first introduced. Many of the category's top brands have taken decades to build their franchises, but we identified white space in both positioning and product performance, leading to Bio's development. We expect Bio sales of $55 million in the first year alone.

UNMATCHED FRAGRANCE DEVELOPMENT

We've created fragrance formulations in different product forms, such as moisture-rich body lotion and refreshing shower gel, and added excellent fragrance character, lift and duration, filling a gap in the marketplace. With three of Bath & Body Works' fragrances placing in the top five among all U.S. fragrance lines in 2000, the success is evident. We also expanded our fragrance segments in 2000: alongside our traditional fruit and floral segments, we added fresh botanicals and warm comforts.

STRATEGIC REAL ESTATE GROWTH

The real estate focus for Bath & Body Works will be twofold over the next several years. First, growth outside of the traditional mall will become more important. We expect stores in the specialty, community and power centers and the like to account for over 50% of all new stores over the next 3 to 4 years. These locations offer significant sales, profit and return on investment opportunities.

Second, there is terrific opportunity to add incremental sales in many of our existing locations through expansions and remodels. Our most productive mall stores today tend to be undersized; we have outgrown them. Many are still the same very small stores we began our business with 10 years ago. Between new stores and expansions, we expect to increase our selling square feet over the next 3 to 4 years by about 12 to 15% per year.

white barn candle company was founded in 1999 and meets a growing demand for innovative home fragrances and decor.

Launched as a separate brand in November 1999, the White Barn Candle Company brand recorded total home fragrance sales of $237 million in 2000.

With Bath & Body Works offering a selection of its products, awareness and trial of the White Barn brand is building rapidly. We also have 98 side-by-side and 31 stand-alone White Barn stores that offer the entire home fragrance and decor collection.

HOME FRAGRANCE INNOVATION

We've set three priorities at White Barn. First, to be best at candles – to offer the highest quality candles with the best fragrances – and become our customers' first choice for a superior product. Second, to approach seasonal collections with an overall strategy of "decorating your home with fragrance" – an approach in sync with today's lifestyles. Third, to continue to drive volume growth through innovation in fragrance and delivery systems.

* [illegible]

EXECUTIVE OFFICERS

Leslie H. Wexner
Chairman and Chief Executive Officer

V. Ann Hailey
Executive Vice President and Chief Financial Officer

Leonard A. Schlesinger
Executive Vice President and Chief Operating Officer

BUSINESS UNIT LEADERS

Robert L. Bernard, President and
Chief Executive Officer
The Limited

Robin Burns, President and
Chief Executive Officer
Intimate Beauty Corporation

Ed Burstell, Vice President and
General Manager
Henri Bendel

Richard P. Crystal, President and
Chief Executive Officer
Lerner New York

Jill Brown Dean, President
Lane Bryant

Kenneth B. Gilman, Chief Executive Officer
Lane Bryant

Grace A. Nichols, President and
Chief Executive Officer
Victoria's Secret Stores

Beth M. Pritchard, President and
Chief Executive Officer
Bath & Body Works

Martin Trust, President and
Chief Executive Officer
Mast Industries

Sharen J. Turney, President and
Chief Executive Officer
Victoria's Secret Direct

Michael A. Weiss, President and
Chief Executive Officer
Express and Express Men's

CENTER FUNCTIONS

Marie Holman-Rao, President
Design Services

[illegible] B. Andrews, President
Property Services

Nicholas LaHowchic, President
Logistics Services

Edward G. Razek, Chief Marketing Officer and
President
Brand and Creative Services

Jon J. Ricker, Chief Information Officer and
President
Technology Services

Gene Torchia, President
Store Design and Construction

Stuart Burgdoerfer, Vice President
Controller

Timothy J. Faber, Vice President
Treasury, Mergers and Acquisitions

Daniel P. Finkelman, Senior Vice President
Brand and Business Planning

Samuel P. Fried, Senior Vice President
General Counsel and Secretary

Peter L. [illegible], Senior Vice President
Chief Sourcing Officer

[illegible] Roeder, Vice President
Internal Audit

Timothy B. Lyons, Senior Vice President
Taxes

Bruce A. Soll, Senior Vice President and Counsel
Company Affairs

BOARD OF DIRECTORS

Leslie H. Wexner
Chairman and Chief Executive Officer ◆

V. Ann Hailey
Executive Vice President and Chief Financial Officer

Leonard A. Schlesinger
Executive Vice President and Chief Operating Officer

Martin Trust
President, Mast Industries, Inc.
Andover, Massachusetts

Eugene M. Freedman
Senior Advisor and Director
Monitor Clipper Partners, Inc. ●
Cambridge, Massachusetts

E. Gordon Gee
Chancellor, Vanderbilt University ◆
Nashville, Tennessee

David T. Kollat
Chairman, 22, Inc.
Westerville, Ohio

Donald B. Shackelford
Chairman of the Board
Fifth Third Bank, Central Ohio ◆ ● ■
Columbus, Ohio

Alex Shumate
Managing Partner, Squire, Sanders & Dempsey, LLP ◆
Columbus, Ohio

Allan R. Tessler
Chairman and Chief Executive Officer
J Net Enterprises, Inc. ◆ ● ◆
New York, New York

Abigail S. Wexner
Attorney at Law ●
Columbus, Ohio

Bella Wexner
Director Emeritus

Raymond Zimmerman
Chairman of the Board
99¢ Stuff.com ◆ ■
Boca Raton, Florida

◆ = Member of the Audit Committee
● = Member of the Compensation Committee
■ = Member of the Finance Committee
◆ = Member of the Nominating Committee

COMPANY INFORMATION

Headquarters
The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
614.415.7000
www.Limited.com

Annual Meeting
The Annual Meeting of Shareholders is scheduled for
9:00 A.M., [illegible], May [illegible], 2004
Three Limited Parkway
Columbus, Ohio 43230

Stock Exchange Listings
New York Stock Exchange (Trading Symbol "LTD")
London Stock Exchange
Commonly listed in newspapers as "Limitd"

Independent Public Accountants
PricewaterhouseCoopers LLP
Columbus, Ohio

Overseas Offices
Antananarivo, Cairo, Guatemala City, Hong Kong,
Jakarta, London, Mexico City, Milan, Port Louis, Paris,
Seoul, Shanghai, Taipei, Tokyo

10-K Report and Information Requests
A copy of form 10-K is available without charge through our Web site, www.Limited.com, or upon written request to The Limited, Inc., P.O. Box [illegible], Columbus, Ohio [illegible]. For information please call [illegible].

Stock Transfer Agent, Registrar, and Dividend Agent
First Chicago Trust Company of New York, a Division of EquiServe
P.O. Box 2500, Jersey City, New Jersey 07303-2500
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The Limited, Inc.
Founded 1963
As of February 1, 2004
Number of associates – [illegible]
Approximate shareholder base – [illegible]

ANTICIPATED MONTHLY SALES AND QUARTERLY EARNINGS DATES FOR 2004

February Sales	[illegible]
March Sales	[illegible]
April Sales	[illegible]
May Sales	[illegible]
June Sales	[illegible]
July Sales	[illegible]
August Sales	[illegible]
September Sales	[illegible]
October Sales	[illegible]
November Sales	[illegible]
December Sales	[illegible]
January Sales	[illegible]
1st Quarter Earnings	[illegible]
2nd Quarter Earnings	[illegible]
3rd Quarter Earnings	[illegible]
4th Quarter Earnings	[illegible]

Live audio of the quarterly earnings conference calls can be accessed through our Web site, www.Limited.com.

Audio replays of both monthly sales and quarterly earnings conference calls can be accessed through our Web site, www.Limited.com, or by dialing [illegible] followed by the conference call passcode, LTD (or 583).


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ILLUSTRATOR:
DESIGN: VIA Inc., New York
PRINTING: Heritage Press, Dallas